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MARKET REPORTS

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(FIFTH EDITION REVISED)

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PRESS OPINION.

The "*Commerce*", one of the leading commercial journals in India, while reviewing this book, wrote as follows:—

To many a layman the financial and market report pages of even the daily newspapers, let alone the specialised pages of commercial journals, are quite unintelligible, and, even when one makes an attempt to know the technicalities of the subject, one finds very few books, if not none at all, to help him in this direction. The book under review will, therefore, be very useful to such people, although it has been written primarily to cater to the needs of candidates appearing for the Intermediate Examination in Commerce of the U.P. and Rajputana Intermediate Boards and the B. Com. Examination of the Agra University.

The subject-matter of the book has been divided into three sections, namely, commodities, stocks and shares, and money and exchange. Each section in turn contains four chapters, the first giving a short description of the particular market; the second containing explanation of technical terms and phrases, usually met with in market reports; the third consisting of a number of specimen reports appearing in well-known daily and weekly papers, and the fourth comprising exercises intended to be practicised by students. Difficult passages occurring in the specimen reports have been printed in *italics* and briefly explained at the end of each report, to enable the students easily to understand them.

At the outset itself the authors explain many of the general terms common to all the markets, namely, options, straddling, hedging, etc.

All the sections of the book are explained by the authors in simple and lucid English and, as such, the publication will be found useful by students and laymen alike in understanding and intelligently following the trends in the different markets of this country.

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PREFACE TO FIFTH EDITION.

In this edition a number of latest market reports, dealing with post-war conditions which prevail in the various markets, have been incorporated. A few minor alterations have also been made in certain places.

1st may 1947. } K. L. G.
R. R. G.

PREFACE TO FIRST EDITION.

Candidates preparing for the Intermediate Examination in Commerce of the U. P. and Rajputana Intermediate Boards and the B. Com. Examination of the Agra University are required to study "market Reports for their Commercial English, but as far as the authors are aware there is at present no text book which could assist the students in this subject. The authors who have both taught this subject for a number of years, find that in the absence of a suitable book on market reports, a considerable part of teaching is practically lost on the students.

This simple book—which is the second part of the Series, the first part being on Precis Writing—is therefore intended mainly for students reading for the above mentioned examinations. It may also prove of some help to others who desire to read and understand the various market reports which appear daily in the leading newspapers of the country.

The subject of market reports has been divided into three sections, *viz.* (1) money and exchange, (2) stocks and shares, and (3) commodities. In each section there are four chapters:—the first giving a short description of the particular market, the second containing explanation of technical terms and phrases usually met with in market reports, the third consisting of a number of specimen reports for study;and the fourth comprising exercises to be done by students for practice. Difficult passages occurring in the specimen reports have been printed in italics and briefly explained at the end of each repots, so that the students may be able to understand them.

The authors are gratefully indebted to the Editors of the *Pioneer*, the *Statesman*, the *times of India* and the *Commerce* for their very kindly permitting them to incorporate in this book extracts from market reports which have appeared from time to time in their papers.

3rd February, 1930

K. L. G.
R. R. G

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CHAPTER 1

COMMODITY MARKET TERMS.

A commodity market may be defined as a permanent and organised place where persons meet for the purpose of doing business in a commodity which may be (*a*) a natural product of the soil such as jute, cotton, wheat, gram, linseed, tea, etc., or (*b*) a mining product such as gold, silver, lead, copper, tin, etc., or (*c*) a manufactured article such as jute fabrics, cotton textiles, sugar etc. The term 'produce exchange', on the other hand, is confined to a market for raw produce only.

The principal commodity markets in India are : Jute market of Calcutta ; Cotton markets of Bombay, Karachi and Indore ; Wheat markets of Bombay, Karachi, Hapur Lyallpur, Amritsar, Okara, Chandausi and Calcutta ; Cotton piece-goods markets of Bombay, Ahmedabad, Calcutta, Delhi, Cawnpore and Amritsar; Linseed markets of Bombay and Calcutta ; Sugar markets of Bombay, Calcutta, Cawnpore and Muzaffarnagar ; Bullion markets of Bombay, Calcutta, Delhi and Amritsar; Hide and skin markets of Madras and Cawnpore : Tea market of Calcutta ; Seeds market of Bombay; and Rice markets of Calcutta and Rangoon.

Only those commodities which are capable of being graded or otherwise accurately described and being sold in large quantities are suited for sale in an organised market. The essential characteristics of an organised market are :—(*a*) A large number of competing buyers and sellers ; (*b*) A large quantity of the comodity dealt in ; (*c*) The organisation by which all persons interested in the commodity can quickly communicate with one

another ; (*d*) The collection and frequent publication of statistical and other information relating to the present and the probable future supply of commodities : (*e*) The actual buyers and sellers do not transact business in person ; they get it done through brokers ; and (*f*) The supply and demand are concentrated.

One essential feature of an organised market is the quick dissemination of commercial news. This has been made possible by the development of rapid means of communication such as telegraph, telephone and wireless. The principal radio stations of the world broadcast commercial news every day.

Every organised commodity market has a standard form of contract specifying the grade, and the conditions for payment, for delivery and for the settlement of disputes by arbitration. It has usually a futures clearing-house (known as Chamber of Commerce in several Indian exchanges), by means of which the purchases and sales of dealers can be offset and the settlement of contracts easily made. In most markets business can be done only through members of the exchange.

Ready and Forward Sections. The business transacted in a commodity market usually consists of (*a*) ready business. *i. e.*, goods sold for immediate delivery, or (*b*) forward business. *i. e.*, sales for future delivery.

Ready Business. This is purchase and sale of goods for ready or spot delivery. Ready business is also known as ***trading in actuals.*** The supply of goods for the ready business comes from the existing stocks or accumulations held by merchants and from fresh arrivals. Agricultural produce reaches the market throughout the year, sometimes (particularly at the harvest time) in large quantities and sometimes in small. The demand for ready goods arises from the trade, stockists, millers, jobbers, dealers, consumers and speculators.

Forward Business. Contracts for forward delivery are called '***futures.***' The creation of futures in an organised

commodity market is often very useful to genuine traders for hedging purposes. There are persons who wish to purchase goods now and to take their delivery in future when they will actually be in need of them. A manufacturer, for example, may find it useful to make contracts now for the future supplies of his raw material, and may thus be able to give his whole attention to the manufacturing side of his business.

Futures are available in all important commodities and in all the principal markets. Futures are described by the name of the month in which delivery is due, and the months of delivery are different for different commodities and in different markets. In some markets the delivery months are the calendar months and in others Samvat months. For example, wheat futures in the Bombay Seeds and Produce Market are May, September, January and March, while at Hapur they are Jeth, Bhadon, Mangsir and Mah. The May future in Bombay and the Jeth future at Hapur are also known as new crop contracts. When a person buys a future, he will say that he has purchased so much September wheat at such and such price.

Forward transactions are also referred to as ***future contracts or future positions***, *e. g*, one may say that he has purchased or sold so much of May future or May contract or May position. Where two or more futures of the same commodity are running at the same time in the same market, they are distinguished by the names of the delivery months or as near and distant positions according to the time of their delivery. For example, now (April 1941) two different future wheat contracts—May and September—are available in the Bombay market. The May future may be called as the near contract and the September future as the distant contract.

SPECULATION.

Speculation takes place in futures ; it cannot exist in ready business. If a person buys or sells a commodity

for forward delivery and means to take or give delivery at the due date, such a transaction is a genuine trade transaction. But if a person buys or sells a future not with the object of taking or giving delivery but for the purpose of settling it before the due date in order to make a profit on the transaction, such a dealing is speculation.

The term 'speculation' is commonly looked down upon by the general public who regard it as pure gambling. But that is not quite true. Speculation is a science by which one attempts to make an intelligent forecast of the future course of prices of a certain commodity. The difference between speculation and gambling may be summed up in these words: "Speculation begins where foresight enters and gambling begins where foresight leaves." There is, of course, an element of chance in both speculation and gambling, and speculation is looked upon with contempt because it is risky. The consequences of rash speculation are very often disastrous. When there is too much speculation in any commodity, it is said to be ***hectic***, ***wild***, ***frenzied*** or ***unbridled*** speculation.

Speculators may be professionals or amateurs. A pro fessional speculator is one who devotes his whole time and attention to this business and who studies closely all the available information on the subject. An amateur speculator, on the other hand, is a person who does speculation as a side job and who very often does not possess any information about the commodity in which he speculates. He simply goes on hearsay. Amateur speculators, with rare exceptions, invariably lose. Speculators are either bulls or bears.

BULLS.

A speculator who ***buys*** forward with the object of selling again at a profit before the date of delivery is known as a ***bull***, ***a long*** or a ***bull operator***. The phrase '***to go long***' means to act as a bull, that is, to buy a future in the hope that its price will rise. '***The long side of the market***' is another phrase commonly employed, which also means acting as a bull,

Stale Bull. When the forecast of bull goes wrong because the market falls instead of rising, and in spite of his waiting for a long period the prices do not move in his favour, then he is called a ***stale bull***, a ***tired bull***, a ***disappointed bull*** or a ***disgruntled bull***. If he cannot wait any more he will have to unload at a loss.

Staunch Bull. He is a speculator who always acts as a bull, and never as a bear.

Bull Support. The word support in market language means to buy. Bull support simply means purchases made by bulls. ***Bull activity*** is another phrase used in the same sense.

Bull Factor. Any factor which is likely to raise the price of a commodity is known as a bull or bullish factor

Bullish Outburst. Heavy purchases made by bulls in a rising market are referred to as bullish outburst.

Bullish Sentiment. An idea amongst speculators that prices will go up is known as bullish sentiment.

Bull Liquidation. Sales made by bulls in order to settle their previous commitments are termed as bull liquidation or unloading by bulls. To unload means to sell, particularly when one has to sell at a loss. A person has a sense of relief when he unloads a heavy burden from his head ; similarly a bull selling his purchases at a loss is said to unload them.

Bull Account. When the speculative purchases of a certain commodity exceed its speculative sales, there is said to be a bull account or an overbought position in that commodity, or the technical position of that commodity is said to be bullish.

Bull Campaign. When a big bull account or an over bought position exists in any commodity, and the bulls try to bring about an artificial rise in its price by circulating in the market bullish news about it, such tactics on the part of the bulls are known as a bull campaign.

BEARS.

A speculator who ***sells*** forward in the hope that before the date of delivery he will be able to purchase at a lower rate and thus make a profit on the difference is called a ***bear***, a ***short*** or a ***bear operator***. The phrase ***'to go short'*** means to act as a bear, that is, to sell a future in the hope that its price will go down. ***'The short side of the market'*** is another phrase which means selling a future.

Bear Sale. A forward sale made by a bear who does not possess the goods at the time of selling but who hopes to buy them (if necessary) before the due date of delivery is called a ***bear sale*** or a ***blank sale*** or a ***short sale***. In practice the question of giving delivery does not arise, because the bears usually get out of their commitments before the due date of delivery by purchasing the futures was which they sold and thus squaring their transactions.

Bear Covering. A bear sells a future in the expectation of a fall in its price, so that he may purchase it again before the date of delivery in order to fulfil his promise. If his calculations go wrong, and the price begins to rise instead of falling, he will be compelled to start buying. Such a purchase made by a bear is known as 'bear covering', the general effect of which is a rise in prices.

Bear Factor. Any factor which is likely to bring prices down is called a bear or bearish factor.

Bear Sentiment. An idea amongst speculators that prices will go down is known as a bearish sentiment,

Bear Account. When the speculative sales of a certain commodity exceed its speculative purchases, there is said to be a bear account or an oversold position in that commodity, or the technical position of that commodity is said to be bearish.

A bear account is called 'open' or 'uncovered' when bear speculators have sold what they do not possess and what they have not yet acquired by purchase. An open

bear account suggests that bear covering will follow leading to a rise in prices.

Bear Raid. When there is a bear account in any commodity and the bears attempt to depress its price by spreading in the market bearish news about it, such an action on the part of bears is called *'bear raid'* or *'bear tactics'*.

Bear Squeeze. Sometimes the heavy sales of a certain commodity made by bears pass into the hands of persons who know that there is a bear account in that commodity. The latter, therefore, secure as much supply as they can, and then demand a very high price before the settlement period. The bears under such circumstances are forced to cover themselves at whatever price they can, otherwise they cannot give delivery on the date. Whenever the bears are landed in such a difficult position, there is said to be a *'bear squeeze'* or simply a *'squeeze'*.

Tenders. The quantity of a certain commodity offered to be delivered by the bears on account of their forward sales is known as *'tenders'*, and the goods which are available in a market for the purpose of being delivered in respect of forward contracts are called *'tenderable stock'*.

Note—Bulls and bears are speculators ; they are also called market operators. A sort of a tug-of-war (known as a *'Speculative bout'*) goes on between bulls and bears. In a rising market the bulls have the upper hand ; but when prices begin to full the market is seized by the bears. The majority of professional speculators are bears, while amateurs, being largely optimists, usually act as bulle. Both bulls and bears use their own tactics in order to bring round the market in their favour. Very often an ounce of activity on the part of the bulls is answered by a ton of tactics on the part of the bears.

OTHER FORMS OF SPECULATION.

1. OPTIONS. An option is a right to buy or sell certain goods within a fixed time at a price settled at the time the option is given. The giver or seller of an option (called *option dealer*) receives from the purchaser of the

option a fixed amount by way of premium (known as option money). If the price fluctuates in such a way as to make it profitable for the option-holder to exercise it, he will do so ; if not, he will simply lose the money he paid for the option. The method of speculating by means of purchasing an option limits the amount of loss to the amount paid as option money.

There are two kinds of single option -the call option and the put option. The *'call option'* gives the right to buy or not, at the choice of the option holder, at an agreed future date a certain commodity at an agreed price, which is known as the *'striking price'*. The *'put option'* gives the right to sell or not, at the choice of the option-holder, at an agreed future date a certain commodity at an agreed price.

There is also the double option (*'Put and call option'*) which gives the right either to buy or to sell, at the choice of the option-holder, a certain commodity at an agreed future date and at an agreed price.

In Indian market language option dealings are known as *'Teji-Mandi transactions'*. *'Teji option'* is the equivalent of call option, and to buy a call option is known as *'Teji lagana'*, *'Mandi option'* is the same thing as a put option, and to buy a put option is *'Mandi lagana'*. The double option is known as *'Najrana option'*, and to purchase a najrana option is called *'Najrana lagana'*. The person who buys an option is called *'Teji, Mandi or Najrana laganewala'*; while the option dealer is known as *'Teji, Mandi or Najrana khanewala'*.

The price of an option, *i. e.*, Teji, Mandi or Najrana rates, depends mainly upon market fluctuations, and are quoted daily along with the prices of futures. For amateur speculators the system of options is very useful, because by means of options they can limit their losses,

Take an example. Suppose on 19th April 1941 the rate of Jeth wheat future is Rs. 3-2-6, the rate of Jeth teji option Re. 0-1-3, the rate of Jeth mandi option

Re. 0-1-4½, and the rate of Jeth najrana Re 0- 2- 6 per maund. If a person purchases on that date 1000 maunds of Jeth wheat at Rs. 3- 2- 6, he may make a good profit or sustain a heavy loss on this deal. If the price goes up to Rs. 3-8-0 by the end of Jeth he makes a profit of Re. 0-5-6 per maund on 1,000 maunds ; but if the rate of Jeth wheat drops down to Rs, 2-12-0 he will incur a loss of Re. 0-6-6 per maund.

If, however, he wishes to limit the amount of loss, he should not buy 1000 maunds of Jeth wheat future. He should instead apply najrana of Re. 0-2-6 per maund on 1,000 maunds by paying Rs. 156-4-0. If he applies najrana, it means that by paying this sum he has secured the right either to purchase or to sell 1000 maunds of wheat at Rs. 3-2-6 up to the end of Jeth, the actual date for the settlement of option dealings being Jeth Sudi 9, which is known as the *declaration date*. Whatever may be the fluctuations in the Jeth wheat rates, his maximum loss is limited to what he has paid by way of najrana; and, of course, the greater the fluctuation either way, the greater will be the amount of his profit. If the price of Jeth future remanis absolutely unchanged at Rs. 3-2-6 from the date of his purchasing the najrana option up to the najrana declaration day (that is, Jeth Sudi 9)—and this is highly improbable–then he would loss Rs. 156-4 0 altogether.

PROTECTED BEAR AND BULL

If the buyer of a teji option on any sharp rise in the market sells forward for the same month as that for which he has applied teji, he becomes what may be called a *'protected bear.'*. Should the market fall back, he can repurchase for the same option month, and thus make a profit while retaining his option. The holder of a mandi option can also employ the same device in the reverse direction, that is to say, he can buy forward on a fall and become a *'protected bull'*; and if the market rises before his option expires, he can sell for the same option

month, secure a profit and still retain his option. This procedure is known as *'Teji ke pete bechna* or *mandi ke pete lena'*. Skilful operators in actively fluctuating markets deal against options in this manner several times during the run of the option. Where the profits thus secured exceed the option money paid, the purchaser of the option has a profit and his option, so to say, for nothing.

Gale Option. When a person secures an option to buy or sell a certain commodity at a price higher or lower than that ruling on the day on which the option is purchased, such an option is known as a *'gale option'*. For example, if the price of Jeth wheat on a certain day is Rs. 3-2-6, and the rate of teji option for Jeth on that day is Re. 0-1-7½ per maund, a person may apply gale option Rs. 3-6-0 per maund instead of at the current rate of Rs. 3-2-6, for the rate of a gale option must be cheaper, say, perhaps only 6 pies per maund, because the risk undertaken by the option dealer is thereby considerably reduced. Those speculators, who cannot afford to apply teji, mandi or najrana at the current commodity rates, purchase gale options.

2. STRADDLING. This is another protective method of speculation on the difference in prices of different futures of a commodity in the same market or the difference in prices of the same future in two different markets. Such a difference is also known as *'gap'*. *spread'* *'premium'*, *'discount'* or *satta'*. For example, if the price of Jeth wheat future in Hapur is Rs. 3 2-6 and that of May wheat future in Bombay is Rs. 4-4-6 on a certain day, there is a gap or difference of Rs. 1-2-0 in the prices of the same future in two different markets. If a speculator has reason to believe that this difference of Rs. 1-2-0 is more than usual (taking the cost of transportation into account) and that it is likely to become less in future, he may sell in the Bombay market and buy in Hapur about the same quantity of May or Jeth wheat, in the hope that the gap will became narrow and thereby he will be

able to make a profit on the deal. This form of speculation is known as *'straddling'* or *'satta karna'*; and the speculator who does it is called a *'straddler*, *'straddle operator* or *spreader'*.

If the spread of Re. 1-2-0 between the price in Bombay and Hapur actually narrows down to (say 12 annas, the straddle operator will make a profit of 6 annas a maund by settling his business in both markets, viz., by buying in Bombay and by selling in Hapur. The settlement of straddle transactions is called *'reversal of straddle'* or *'satte torna'*. If, on the other hand, the difference between Bombay and Hapur widens to (say) Re. 1-4-0, the straddler will suffer a loss of 2 annas per maund.

3. HEDGING. Hedging is a kind of insurance—playing for safety. It is an operation whereby a business man by buying or selling futures protects himself against a price movement unfavourable to his ordinary trading transactions.

For example, a cotton mill company which has contracted to supply cloth at a certain price can either cover its future requirements by buying cotton futures or risk the turn of the market. In the latter case it will lose if the price of cotton rises; but it can guard against this contingency by speculating for a rise, that is, by buying cotton futures at the time it sells cloth for forward delivery

A stockist of wheat might lose, if the price of his commodity fell. If, however, he sells wheat futures against his wheat stocks, he will make a profit in that way. At the first indication of a falling price, some stockists would, therefore, sell futures, that is, they would speculate for a fall.

Hedging differs from other forms of speculation in that its object is not to make profit, *but to insure against loss*.

4. SWITCHING OVER. The process of transferring from one position to another (e. g., from Jeth contract to

Bhadon) is known as ***switching over*** or ***buda*** or ***'satte karna'***. Thus, if a person who has bought or sold Jeth wheat finds that the prices are against him before the date of Jeth settlement, but that they are likely to move in his favour thereafter, he may settle his Jeth business and enter into Bhadon contract, that is to say, he may switch over from Jeth to Bhadon.

MARKET TERMS.

Purchases. The demand for ready and forward goods comes from both genuine traders and speculators. Bull buying, bull support, bear covering, short covering, speculative buying, straddle buying, profit-taking or profit-realising purchases, and stop-loss orders—all these are purchases made by speculators. Trade support, trade inquiry, trade buying, trade calling, trade price-fixing, mill-fixing export inquiry are terms employed to indicate trade demand.

Sales. Sales are also made by both trade and speculators. A hedge sale is one made by a trader. A speculative sale may be made by either a bull or a bear, and speculative sales may be of several kinds. A bear sale, a blank sale or a short sale is one made by a bear. A straddle sale may be made by either a bull or a bear. Profit taking or profit-realising sales are made by bulls. Bull liquidation or long liquidation means sales made by bulls whether at a profit or at a loss. Stop-loss sales, distress sales, tired liquidation: unloading by bulls—these are all sales made by bulls at a loss.

Settlement. When a bull sells what he bought or when a bear buys what he sold, he is said to settle, square or switch off his deal.

Volume of Trading. The volume of business or trading done in a market on a particular day is expressed as brisk, moderate, restricted, limited, meagre, small, slow, stagnant, active, on a small scale, on a large scale, on a broad scale, little doing, nothing doing, not much doing and so on. The market is said to be active, quiet, dull,

uninteresting, featureless, colourless, eventful, uneventful listless, stagnant, or neglected.

Prices. The price, rate or value of, or the basis for, a commodity does not remain the same: it fluctuates. Price fluctuations may be narrow, within narrow limits, within a narrow range, wide or violent, very often two prices are quoted for a commodity at the same time—one buyer's and the other seller's, e. g., Rs. 3 2-5¾ buyer's or value and Rs. 3-2-6 seller's. The buyer's price is called value because it is the true price. *'Peak price'* or *'Ceiling of the market'* are terms indicating the highest price touched whereas *'rockbottom price'* is the lowest price. The phrase *"With sellers over"* when attached to a price quotation means that the market is falling and that at that particular price there are more sellers than buyers e. g., Rs. 3-2-6 sellers over" means that at this price there are no buyers, or, in other words, this price is nominal. Similarly the term *'With buyers over"* is employed when there are more buyers than sellers in a rising market.

When the opening and closing rates of a commodity for a day or for a week are compared, the result is expressed by phrases like the following; on balance there is a gain of 5 annas; over the week the rate has moved up by 5 annas; the net gain in the value is 5 annas, and so on.

Reaction. The term 'reaction' when used in connection with prices means a movement in the opposite direction. If the price of a commodity rises, it cannot go on rising; it must stop somewhere; and once the highest point is reached it must react or fall. When it begins to fall there is said to be a reaction. Similarly a reaction must come in a falling market.

Factors Affecting Prices. Anything which is likely to affect the present and the future supply of and demand for a commodity will be responsible for its price fluctuations; and the principal factors affecting supply and demand are:—(a) The satistical position and prospects of the commodity in the country and outside, that is to say,

the existing stocks and the likely production; (b) Vagaries of the weather; (c) Government action (e, g., imposition or removal of import, export and excise duties, price control, restrictions on imports and exports, trade legislation, etc.); (d) Political situation particularly during the war: (e) Sympathy with other commodities; (f) Volume of imports and exports: (g) Effect of substitutes; (h) Sentiment created by rumours and sometimes even by Jyotish in India; (i) Foreign exchange fluctuations, particularly the cross-rates, etc.

Price Fluctuations. The changes in commodity prices are usually expressed by the following words and phrases:—

Nouns and adjectives: Rise, fall, decline, jump, set-back, recession, rally, recovery, advance, gain, loss, up by, down by, upturn, upswing, bulge, landslide, spurt, dip, flare up, break in values, depression, slump, relapse, drop, upsurge, improvement, sticky, jumpy, reaction, etc.

Verbs: Rise, fall, decline, jump, recede, rally, recover advance, gain, lose, mark up, mark down soar, harden, shoot up, shed, sag, ease, steady, firm up, weaken depress, slump, react, relapse, drop, tumble-down, look up, drift down, move, improve, etc.

Rise or fall in prices may be marked, sudden, unexpected, sharp, smart, precipitous or abrupt. Phrases like slight improvement, partial recovery, mild rally, etc., are also commonly employed to express price fluctuations.

Price *ceiling* and price *floors* are the highest and lowest prices fixed for certain commodities by Government.

Market Tone and Undertone. The term tone, means the present tendency of prices. The words trend, mood, temper, sentiment, atmosphere and behaviour are also used in the same sense. The term 'undertone' or 'undercurrent' implies the future tendency of prices.

The tone of the market may be quiet, dull, uninteresting, easy, weak, bearish, steady at the decline, barely steady,

fully steady, firm, strong, bullish, healthy, confident, cheerful, buoyant, erratic, hesitant, irregular, indifferent, nervous, depressed. reactionary, optimistic or pessimistic."

MARKET REPORTS.

The commodity and other market reports are a regular feature of the principal English, Hindi, and Urdu newspapers of the country. The English newspapers give more detailed and reliable commercial news, because they collect it either through their own special correspodents in the principal trade centres of India or through reliable news agencies such as A. P. I. (The Associated Press of India) or Reuter's.

The market reports published in the newspapers are daily, weekly and annual. A daily market report has necessarily to be brief. It usually gives the opening, highest and lowest rates of the day together with the closing rate of the previous day. It also indicates the tone of the market and a very brief reason for it. It is generally sent out in the afternoon. A weekly report reviews in detail the market conditions during the week and states the opening, closing, highest and lowest rates for the week together with a description of the factors responsible for the fluctuations during the week, and, in some cases, also a very brief idea of the tendency during the coming week. Weekly reports are usually written on Saturday afternoons and appear in the Monday issues of the principal newspapers. An annual market report reviews a particular market for the whole year, is generally long and has to be drafted with special care.

The English daily newspapers that regularly publish daily and weekly market reports are the *Statesman*, the *Times of India* and the *Hindustan Times*; while the English commercial weeklies such as the *Commerce*, the *Capital* and the *Indian Finance* furnish more detailed weekly market reviews. An extremely useful publication entitled "*The Annual Market Review*", issued at the beginning of each year by Messrs. Premchand Roychand

& Sons, Ltd., Bombay, contains excellent annual reviews of the principal markets of India. The annual market reviews also appear in the special annual numbers of the *Commerce*, the *Capital* and the *Indian Finance* issued at the beginning of each year. Amongst the Hindi and Urdu newspapers that publish market reports are the Urdu Daily *Tej* of Delhi, the Hindi *Hindustan* of Delhi, the Hindi and Urdu *Daily Vyopar of* Hapur, the Urdu *Daily Report* of Lyallpur, the Hindi weekly *Venkteshwar Samachar* of Bombay, etc.

CHAPTER 2.

COMMODITY MARKET REPORTS.

Section A (Daily Reports).

1. BOMBAY SEEDS MARKET

Bombay, February 3, 1947.

There is practically no business in the groundnuts market as there are no sellers. Nominal quotations are from Rs. 26 to Rs. 28 per cwt. As seeds are not available, all the mills have stopped working.

Castor seeds: The market opened to-day at Rs. 21-4 when shorts were reported to get buyers. There was heavy profit-taking, and market declined quoting the lowest at Rs. 19-12. The markek improved and at the close quotations were Rs. 19-14. Owing to high prices there is very little trading in the market. In the ready section Navlakhi were quoted for immediate delivery Rs. 26-8, Dec.-February Rs. 26, and March at Rs. 25-8. For Marmagoa delivery Dec-February Rs. 26-2, and Jan. March Rs. 25-12. Bombay delivery quotations were the same as Marmagoa.

Linseed :—The market declined today owing to upcountry merchants selling their purchases. Business was done in February-March at Rs. 26-11, and April-May at Rs. 26-10. There are sellers now at Rs. 26-7 for both positions.

The Nizam's Government have fixed the price of Linseed at Rs. 48. The price was quoted at Rs. 65-8 even after the control was declared.

Oils :—In the groundnut oil there is no business at controlled prices. A few buyers were willing to pay Rs. 4 to 5 more than the control prices if they could find sellers.

Linseed oil is priced at Rs. 21 and Castorseed oil at Rs. 18.

2. BOMBAY COTTON MARKET

Bombay, February 3 ; 1947

Nervous tendency continued to mark the session on the forward division of the Bombay cotton exchange during the course of today's trading. Absence of any encouraging report from the ready market and lack of buying inquiry and support caused a further deterioration in the prices which weakened and lost more ground. Heavy long liquidation by prominent operators brought about a sharp setback with the values which fell back in spite of momentary spells of resistance. Most of the longs appeared to have been tired. The market seemed to have been thoroughly demoralised on account of the general disappointment.

I. C. C. March started around Rs. 445 and fell sharply from Rs. 444, to Rs. 442-8. Thereafter it recovered slightly and remained well-maintained with-in narrow limits for a long time, until towards the close of the session when it suffered another reaction and dropped from Rs. 443-12 to Rs. 441-8. Varying between Rs. 442 and Rs. 442-8 it eventually finished at Rs. 441-12.

Closing rates at 4-30 p. m :—I. C. C. March Rs. 441-12, May Rs. 452-4, July Rs. 464-12, September Rs. 473-8.

Quiet and dull conditions were witnessed on the

ready market at Sewri Vijay and Bagalkot were quoted around Rs. 502 and Rs. 446.

KERB TRADING

Business in I. C. C. March was done around Rs. 489.

3. KARACHI COTTON

Karachi, February 3, 1947.

Cotton Ready Sinc NT Rs. 54-10, Four-F Rs. 47-13; March Rs. 47-12-6, May Rs. 48-10, July Rs. 49-6-6. The market ruled weak and closed at the days lowest rates owing to heavy unloading by bulls and speculators selling poor ready demand and lower Bombay advices. Spot Business 400. Arrivals 7,820, Exports 4,295, all for Bombay. Local stocks estimated 485,000 against 265,000 last year. Out of these 260,000 is with exporters and the balance unsold.

4. BOMBAY BULLION MARKET

Bombay, February 3, 1947.

After the firm front observed during the past two sessions and a strong feeling during the initial stages, forward prices on the Bombay Bullion Market encountered profit-selling and received minor losses today. A slightly easier tendency was in evidence. Reports of import transactions and imminent arrivals found revival and discouraged the bullish fervour to some extent. A small diminution in the demand for the actual was also noticed in the spot section. However, the undercurrent of the market remained firm. The bullion market remained closed after 2 p. m. on account of the death of Seth Chunilal Kamalsi, of the firm of Messrs. Chunilal Kamalsi.

Forward gold opened at Rs. 103-5-6 and moved between Rs. 103-10 and Rs. 102-14. It finished at Rs. 103-1. Forward silver began at Rs. 151-10 and after hovering

between Rs. 151-12 and Rs. 151-4, it declined to Rs. 50-9 and terminated at Rs. 150-12.

Official closing rates at 2 p. m :—Ready mint gold Rs. 107-6, ready guinea Rs. 68-4. Ready silver (999) Rs. 158-4, Ready silver (996) Rs. 158-4. Silver settlement Rs. 150-12 gold settlement Rs. 103-1.

Adjustment rate of surplus and shortage of gold Rs. 106-8, silver Rs. 158-8.

KERB TRADING

Business in forward gold and forward silver was done around Rs, 102 and Rs. 149.

5. CALCUTTA JUTE MARKET.

19th March, 1940.

Loose jute. In sympathy with steadier goods and futures markets sellers have raised quotations by four annas per maund to Rs. 12-8 and Rs. 11-0 per maund for Indian Jat Middles and Bottoms with no business to report at these levels.

Pucca Bales. Late yesterday on reports of a further Governments order for Hessians, the market firmed up and closed steady with Firsts for March shipment quoted at Rs. 69-4 per bale. A small business was reported done with shippers of Dundee Daisee assortment for April shipment at Rs. 2 per bale below June futures. To-day the market is idle with Firsts at Rs. 68-8 per bale.

Hessians. The market continued steady at yesterday's closing rates but there was small business passing.

At 1 p. m. quotations were :—

	Ready March	April	May June	July Sept.
9 porters	Rs. 13-0-0	13-1-0	13-2-0	13-4-0
11 porters	Rs. 15-15-0	16-0-0	16-2-0	16-3-0

HEAVY GOODS

Apart from Ready "B" Twills, which were done at Rs. 42, there was little or nothing doing in this section and the tone has been quiet but steady. Liverpool Twills April were quoted at Rs. 44-8.

Note.—Loose jute is quoted per maund of 82-217 lbs, a pucca bale being of 400 lbs. Jute cloth is quoted per 100 yards and jute bags per 100 bags.

9 porters and 11 porters are qualities of jute cloth; while "B" Twills and Liverpool Twills are kinds of jute bags or gunnies.

Section B (Weekly Reports.)

1. WEEKLY WHEAT MARKET REVIEW.

Hapur, 31st December 1939.

Oversea wheat markets have remained closed for most of the time during the week under review on account of Xmas. Cables dated December 28. however, indicate that while London and Winnipeg have maintained a steady undertone, there has been a slight setback in the Chicago prices. S. Australian quotation has improved to the extent of 9d. in London closing at 25s. 9d. while Winnipeg has closed at $88\frac{1}{4}$ for December against $85\frac{3}{4}$ last week. Chicago May had declined from 106c. to $102\frac{3}{4}$c. July has closed at 100c. This reaction was due to professional realizing on Government weekly weather report of import of improved new crop conditions as a result of moisture in wide areas.

The *Corn Trade News* has now published its analysis of the wheat situation in Canada, the U. S. A. and the Argentina. It is based on the conditions prevailing by the middle of November. According to the same, the position of Canada is as follows :—

Season—August 1,1939 to July 31,1940—

		Bushels
Carry over August 1,1939	...	102,000,000
Crop, 1939	...	479,000,000
Total supplies ...	...	581,000,000
Less Home requirements	...	120,000,000
Available for exports and carry over	...	461,000,000
Equalling quarters	...	57,500,000

The analysis of the wheat supplies in the U. S. A. is as follows :—

Season—July 1,1939, to June 30, 1940—

Carry over July 1,1939	...	254,000,000
Crop, 1939 ...	...	736 000,000
Total supplies ...	...	990,000,000
Less Home requirements and reserve	...	890,000,000
Indicated exportable surplus	...	100,000,000
Equalling quarters	...	12,500,000

It is of course obvious that reserves supplies may be reduced if the crop suffers any serious damage by adverse weather which to some extent it has already done.

Continental Estimate. The first official estimate of this year's Australian crop is 180 million bushels. This is materially in excess of last year's production, finally returned at 1,543 million bushels, while it also exceeds the last, ten-year average of 169½ million bushels. No official estimate for Argentina have yet been published.

On the Continent, several Governments have suspended the publication of economic information. Consequently, no official estimates of the 1939 wheat crop of several large wheat producing countries are available. Still the International Institute of Agriculture, Rome, have approximately estimated the total wheat production of Europe excluding Russia at 1,665 million bushels, which though 9 per cent, below the record crop of last year, (1,829 million bushels) is appreciably larger than

the average of the last five years (1,580 million bushels).

Setback in Prices. In our own country markets have suffered a severe setback and prices have everywhere recorded an appreciable decline which was very gradual. As was emphasized last week in these columns weather disturbance remained the most important reckoning factor. According to the weekly weather report for the week ending December 27, the western disturbance, which was affecting Baluchistan at the end of the last week, passed through the extreme north of the country after causing a few light howers of rain or snow in Baluchistan and Kashmir. Another western disturbance followed immediately in its wake but did not cause any appreciable precipitation. A third disturbance was producing clouds in and near the N. W. F. Province and Kashmir at the end of the week. Thus all through the week the weather was rather cloudy and hopes were entertained that there would be showers which are so badly needed in the North Indian wheat belt. Other bearish points were the severe fall in the cotton quotations, the renewal of the 25 per cent, railway rebate allowed by the N. W. Railway on all wheat exported from Karachi for and beyond Suez port, and theabsence of the ready demand almost everywhere. Speculative activity having been considerably checked buying is confined to normal trade requirements only. There was quietness, on the continent and some hopes are also made on the appeals issued by the Pope and others. All these factors led to an easier feeling. Today the markets opened some-what higher as the hopes of early showers do not seem to materialize but reaction has again set in.

Fall in Karachi and Bombay Markets. Karachi closed at a loss of about As. 14 to Re. 1 per candy at January Rs. 31-8-9 ; July Rs. 34-7-6 and March at Rs. 32-8-3. Trading during the week was small and consisted mainly of bull liquidation and speculative selling. Arrivals from upcountry markets do not exceed 4,000 bags daily. Foreign trade is at a standstill and only moderate exports were made to Bombay and other

Indian ports. Local stock is estimated at about 5¼ lakh bags.

Bombay closed at January Rs. 4-4-9 and May at Rs. 4-14-6, which are Re. 0-1-3 lower as compared to last week; while Calcutta May closed at Rs. 5-2-6 against Rs. 5-4-9. With very little in the oversea cables to put life in the market, business was slow and fluctuation unimportant. A general feature was that while every rise was followed by heavy liquidations, decline in the prices was well absorbed by the markets.

Hapur is presently quoted at Rs. 3-12-7 for ready Rs. 3-13-4 for Maha and Rs. 4-1-10 for Jeth. Lowest for Maha during the week touched Rs. 3-12-7 and highest was sold at Rs. 3-14-1½. Ready demand was dormant and only two khattis were exported. The present stock is 497 khattis. Other markets also followed a similar course.

The Hindustan Times.

2. HAPUR WHEAT MARKET.

26th March 1944.

Wheat prices in the U. P. markets have recorded further decline, particularly in the assembling centres, in some of which Government cheap retail selling shops have been opened. At Hapur a number of such shops are functioning where wheat is being sold at Rs. 10-10-9 and gram at Rs. 8 per maund. Market rates were much higher but are steadily coming down to these levels. In the rationed markets wheat rates were already sufficiently low. It is rumoured here that, within a very short time, wheat price may be reduced to Rs. 10 per maund, a rate believed to have been recommended to be the statutory fixed price of wheat in the whole of India by the Gregory Price Control Advisory Panel.

Latest crop reports of the Province are somewhat disquieting. Weather has been very unkind and substantial damage to the standing crops, particularly in the Eastern districts, is apprehended. Already the acreage

in the Province was reported to be lower than that of last year. This year's sowings were put at 7,747,000 acres against 8,188,000 acres last year. According to the second wheat forecast report, the *"anna"* condition of the wheat crop for the U.P. was reported to be roughly estimated at 85 per cent, of the normal, the average of the percentages for the last 10 years being 79 per cent, only.

Current wheat prices in some of the important centres are as follows ; Agra Rs. 11 ; Hathras Rs. 11 ; Aligarh Rs. 11 : Hapur Rs. 10-10 6 ; Oraiya Rs. 8-4 ; Morina state Rs. 7-4 and Bhind Rs. 8.

In the Punjab, current wheat quotations in some of the important centres are as follcws : Lahore Rs. 9-4 to Rs, 10 : Lyallpur Rs. 9-4 to Rs. 9-6 : daily arrivals 1,500 bags. Okara Rs. 8-14-6 to Rs. 9-5. It was admitted in the Punjab Legislative Assembly by the Government that the statutory maximum rate of wheat for the Punjab has been fixed but that could not be disclosed for the present. It is hoped, that the rate may be applicable from 1st April. The crop condition is reported to normal in unirrigated areas, and fair to normal in irrigated tracts.

In Sind, there is little change in the position. Grain control rate is Rs. 64.

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3. PULSES AND GUR

Hapur, 26th March 1944.

In the local pulses market futures in *urad* and *moong* remained extremely active, and recorded a sharp gain in prices. *Urad Baishak* was quoted at Rs. 10-12-6 on Saturday last. Highest during the week touched Rs. 11-5-3. Presently it is Rs 11-2-9 *Moong Jeth* advanced from Rs. 9-2-3 to Rs. 9-15, but later declined to Rs. 9-11. The advance and increased speculative activity is accountable for factors, extensive damage to standing crops in the Estern districts and newspaper reports that

the Central Government is planning huge purchases of pulse from ths U. P.

Gur.—The *gur* market remained weak and unsteady throughout. There was further fall in the quotations. Current price is Rs. 5 for average, and Rs. 5-14 for the finest. Present stock is estimated at 3 lakh maunds. Daily arrivals have been reduced to an average of 3,000 maunds. Applications for export permits were invited last week, and in all probability permits will be issued liberally. It is reported that the ban on exports of gur from the U. P. has been totally removed. But the real difficulty is with transport. Unless sufficient wagons are available for loadings, for which there are very poor prospects the present heavy stock will have little chance of liquidation in the near future. Meanwhile local stock is daily deteriorating in quality due to warm weather.

4. JUTE MARKETS.

Calcutta, 13th March 1944.

Markets were closed for two days in the week on account of a Mahomedan festival on Wednesday and a Hindu festival on Thursday. But during the period in which markets were open, very firm conditions have been noticeable in both the jute and jute manufactures markets. The reports regarding the slow progress in regard to the sowing of new crop and the interest of mills in the market have resulted in a further rise in prices. Mills are afraid to push up prices unduly, as it is felt that continued buying would result in prices being marked up to the maxi mum levels. At the present moment quotations are very near the maxima for certain varieties Tossa not being available in large quantities with sellers reserved even at the maximum rates. The improved situation in regard to coal and the prospects of a smaller crop for the next season are mainly responsible for the firmer tone of the market. It is now end of March, and there are no reports yet of sowings on a satisfactory scale. Estimates regarding the size of the crop are only around 40 lakhs bales so that with the present rate of consumption and the pro-

bable increase in exports, there will not be enough jute to go round. The fluctuations in prices for jute in the next few weeks will therefore be mainly determined by the reports regarding the progress of sowings. Mofussil markets are very firm and imports are rather small. There is no anxiety to dispose of holdings.

In the loose jute section, there has been good demand for Tossa varieties and full rates are offered for superior packing. But there are not many sellers in the market. European and Supervised Jat Tossa were both done at Rs. 17-8 and Rs. 14-8 for middles and bottoms respecttively. Indian District Tossa middles and bottoms were sold early in the week at Rs. 16-8 and Rs. 13-8 respectively but quotations were As. 8 higher towards the close. Indian Jat middles and bottoms were, at Rs. 16-4 and Rs. 13-4, respectively, As. 8 also higher on balance.

In the pucca bales section, not much business has been done, for Dundee Tossa 4's were done at Rs. 80 per bale. Mills were interested in the market, but business was restricted by the reserve of sellers. Some business was reported in Lightnings and Dundee Daisee 2-3 at Rs. 79 per bale but towards the close balers are asking for more.

In the jute manufactures market, firm conditions are noticeable and quotations are mominally at maximum rates. No business is practicable owing to the scarcity of supplies. Immediate requirements can be met only, from the black market, where it was reported that prices were three points higher than the maxima. Fears regarding the possibility of intervention by the I. J. M. A and Government requistioning have resulted in a slight recession in rates, but there is no chance of any appreciable setback in prices under the present conditions. Mills are reported to be fully sold for this year and are prepared to enter into commitments only for early 1945. Quotations are nominally Rs. 21-10 for 9 porters for all positions and Rs. 28-8 for 11 porters.

In the heavy goods section, there are no sellers at

the maximum rates. There is a great scarcity of goods. Only B twills are available at Rs. 67-12 for ready and Rs. 67-8 for forward delivery.

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5. CAWNPORE HIDES MARKET.

28th February 1944.

Steady offtakes continued in the Cawnpore Hides market during the outgoing week. The cow section was particularly brisk and demand is continually on the increase. With the improvement in the facilities of transport fair business in dry hides are noticeable for some time. Fresh inquiries from Madras dealers have of late been on the increase. The quality of wet salted buffalo hides are further deteriorating.

Following are the closing quotations.—Wet salted cow hides—heavy Rs. 130 to Rs. 170 per score, medium Rs. 110 to Rs. 125 per score and light Rs. 65 to Rs. 90 per score. Wet salted buffalo hides—heavy $3\frac{1}{4}$ to $3\frac{3}{4}$ lbs. per rupee, medium $3\frac{3}{4}$ to $4\frac{1}{4}$ lbs. per rupee and light 4 to $4\frac{1}{2}$ lbs, per rupee. Goat skins—Oudh Rs. 65 to Rs. 85 per 100 pieces. Deshi Rs. 60 to Rs. 80 per 100 pieces. Sheepskins—Rs. 65 to Rs. 90 per 100 pieces. Tallow—Rs. 31 per maund.

6. COTTON MARKET

Bombay, 4th December, 1946.

Wide and erratic price swings in either direction marked the trading in the forward section of the Bombay Cotton Market. Continuing the upward trend, which was seen towards the close of the previous week, I. C. C. January touched a high of Rs. 470 earlier during the week under review. This buying took on a speculative tinge, prominent operators taking the bullish view of the cotton situation. The recent increase in the export quota for the U. S. A. which was obviously a corrective measure and the fact that prices of certain short and long

stapled descriptions are already at above or very near the ceilings gave colour to persistent rumours that the Government, after considering the realities may possibly raise the present ceilings and revise their entire cotton policy. In this connection, some significance is attached to the forthcoming short visit of the Commerce Member to the City this week-end.

At the higher level, a good deal of long liquidation and hedge selling were encountered owing to the absence of any reassuring news with regard to Government's intention. Many large holders thought it wise to realise profits on their recent purchases. These offerings having been reinforced by general selling, prices declined substantially and reverted to Rs. 464-3-8.

Demand for actuals was of a spasmodic character and even this fizzled out in the latter half of the week. The premia for staple varieties for delivery contracts have, however, been well maintained.

Free arrivals are reported from the Punjab. Arrivals are in full swing in Berar. The recent rains have lowered the grade of C. P. and Berar crops and the bulk of present pickings are raintouched and black leafy. In Broach, Surat and Dholleras, present clear and cold weather is favourable and the crop is making good progress. Reports from Southerns make favourable reading

Cotton prices in New York, after showing an appreciable advance in the last week of November, showed a downward trend. The chief depressing influence has been the increasing nervousness over the continued coal strike and its repercussions on the textile industry. The market was supported by commission house buying of new crop on the higher mid-November parity price for cotton, namely, 26.29 cents. This means a higher loan rate and a greater inducement to farmers to place more staple into Government loan. Such occasional rallies, however, proved too feeble in the face of aggressive liquidation and hedging as there was little news to counter

the profound concern over recurrent labour troubles. At the decline however there was persistent mill price fixing on the belief that the market was in a better shape after recent decline.

The Cotton Centralised Buying Bill for the establishment of a Commission for buying, selling and distribution of raw material has passed through the second reading in the House of Commons. The supporters of the Bill argue that the measure is a fairly logical consequence of the changes that are taking place throughout the world. Since the Governments of India, Egypt and Brazil now own or control the disposal of large cotton stocks, they consider that it is unrealistic to talk as if the Liverpool and Manchester Associations were in a position to deal on equal terms with such powerful agencies. The opponents of the Bill argue that it is ridiculous to suggest that the new Government organisation could do any better than, or even as well as, private enterprise under the exigencies of peace-time trading. The experiment, they assert, is a hazardous one. Experience which Britain has yet had in the matter of bulk buying has been in abnormal conditions of war. The real test will come when falling markets will have to be encountered.

The second official forecast of Egyptian cotton places production at 5,720,000 *cantars*, as compared with 5,871,000 *cantars* according to the first estimate and 4,639,000 *cantars* final estimate of last season. Of this, production of *Karnak* has been estimated at 3,530,000 *cantars*. Many Egyptians and several spinning interests are of the opinion that, despite the recent spurt in demand for *Karnak*, the world will not be in a position to absorb annually 3 to 4 millions *cantars* cotton of so long a staple as *Karnak*. The production of a much large quantity of shorter stapled cottons of high grade and good spinning quality, it is urged, will serve the best interests of growers, users and the Egyptian Government.

The commerce.

7. BOMBAY BULLION.

4th December, 1946.

Forward trading on the Bombay Bullion Ex-change remained suspended throughout the week under report. It is expected to be resumed in the course of the next few days by when the Board of the Exchange hopes to be ready with its new futures contract.

In the ready section, the downward trend noticed last week continued to persist during the first half of the week. Reports of prospective arrivals of bullion from abroad, weaker advices from up-country centres, growing volume of local stocks of silver from 4,500 bars a few weeks ago to about 6,000 bars, added momentum to the unceasing liquidation on a large scale. Prices in consequence registered a downward trend. On the 3rd inst., however, a reaction set in on account of increased offtake and smaller arrivals from abroad. Absence of news regarding negotiations for further imports of bullion from foreign countries too helped the sentiments and bullion prices staged a marked recovery, wiping out a portion of the earlier losses.

Towards the final stages of trading on Wednesday this week in the Marwadi Chamber, the report that London was seller of silver at as low as 55d. is stated to have unnerved operators there, as till then the bazar was under the belief that no selling by London under the official price of 55½d. would be forthcoming. Ready silver, in consequence, seems to have dropped to as low as Rs. 126-8 in that market.

At the commencement of the week, that is, on the 28th ultimo, ready silver opened at the week's highest level of Rs. 140-12. On continued selling pressure, the rate resumed its downward course reported last week and touched a low of Rs.127-8 on the 29th. At this level there was improvement and prices staged a recovery to Rs. 130-8 on the same day. In the session on the following two days, namely, 30th and 2nd inst.,

prices of silver experienced variations between Rs. 129-8 and Rs. 133- . Thereafter a steadier tone set in and on improvement in offtake ready silver recovered to close at Rs. 136-4.

Daily average offtake is estimated at 150 bars and stocks at about 6,000 bars.

Activity in the gold market was restricted on account of paucity of ready stocks. Price variations were comparatively narrower than those in silver, although rates showed a tendency to decline in sympathy with the white metal. Ready gold opened at Rs. 100-2 and on nervous unloading by weak holders registered a decline to the low of Rs. 95-12 on the 29th. Thereafter, it fluctuated between Rs. 97-4 and Rs. 99-8 and ultimately closed lower at Rs. 98-12 to-day.

Daily average offtake is estimated at 10,000 totlas and arrivals at 8,000 tolas. Gold stocks are placed at about 20,000 tolas.

The following comparative table shows the extent of fluctuations in the prices of gold and silver during the week under review:

	Opening 28th Nov. 46	Highest	Lowest	Closing 4th Dec. 46
GOLD	Rs. a.	Rs. a.	Rs. a.	Rs. a.
Ready	99 8	100 2	95 12	98 12
Forward	...	...	...	...
SILVER				
Ready	140 12	140 12	127 8	136 4
Forward	...	...	...	...
Sovereign	65 12	...	...	65 6
LONDON				
Ready	55½d	...	...	55½d
Forwaad	56d	...	...	5a
New York	90½	...	...	90⅛ cents

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8. BOMBAY COTTON

Bombay, 5th April 1944.

Jarilla cotton was sold this time last year at about Rs. 550 and on 17th May, 1943, it recorded a high of Rs. 660. The market was under the grip of speculators and sentiment was greatly buoyant. The Government of India banned forward trading and prices, thereafter, were marked down. In bold contrast to this state of affairs, prices of *Jarilla* this week was greatly depressed, and during the middle of this week, prices sagged to a low level of Rs. 429-8. During the past three weeks or so, sentiment in this market was greatly bearish and up-country advices were very disquieting. It is reported that, in many of the important up-country markets, prices were marked down to the extent of about 70 per cent. Even those operators who were hoping that the Government of India would intervene and arrest this rot were greatly disappointed and, as a result, they were afraid to lead support even at low levels.

A certain section of the trade interested in the welfare of cotton growers began to clamour for action from the Government. The members of the Board of the East India Cotton Association met Mr. M. S. A. Hydari, Secretary, Industries and Civil Supplies Department Government of India, and apprised the reasons for the decline in the prices of raw cotton during recent weeks. The Association is reported to have impressed upon him the necessity of the Government purchasing raw cotton in up-country centres. Mr. Hydari promise to do the needful, and since then, the sentiment in the market has became better. Towards the close of the week, it is reported that the Government of India has purchased about, 20,000 bales of cotton in Broach District and, as a result, many shorts began to cover their commitments. There was some improvement in rates, and *Jarilla* May touched a high of Rs. 441. At the time of writing, the rates for May, July and September positions are Rs. 439-8 Rs. 448-8 and Rs. 453-8, respectively. The rates for the

corresponding positions last week were Rs. 436-12 Rs. 445-4 and Rs. 449-4, respectively.

In the ready section. mills were not eager buyers and preferred to await developments. Volume of turnover was extremely limited. Towards the close of the week, however, there was some active buying and prices recorded some improvement. Amraoti Cambodia fetched Rs. 431, while N. T. Tandajam was quoted at Rs. 525. Swami and Buriwal Sojan changed hands at about Rs. 408 and Rs. 640, respectively.

The Commerce.

9. BOMBAY YARN MARKETS.

Bombay, 1st March 1944

The yarn market remained steady dnring the week. and there was no improvement in demand. Enquiries for coarser yarns were poor, but there was a good demand for fine count yarns. A Press Note was issued by the Textile Commissioner on the 24th February stating that in view of the difficulties experienced over transport, he had decided to give an extension till 30th June for the final disposal of cloth and yarn bearing August and September texmarks, and an extension until 31st March for the opening of bales or cases bearing November texmark. It was expected that with this extension given by the Textile Commissioner, an improvement in prices would take place, but these expectations have not been fulfilled. An important factor which has caused a depression in the market is the report that the Industries Committee of the Textile Control Board has recommended to Government a reduction of about 12½ per cent, in the ex-mill prices of yarns from the 1st March. This report has created a nervousness in the market and buyers are reluctant to enter into further fresh business under the belief that the recommendation may be accepted by the Government, and that prices may, therefore, be reduced from 1st March. A welcome feature during the week has been some improvement in transport facilities as

railway bookings to certain centres have been opened and shipment by the sea route was also available to Calcutta although after a long time. It should, however, be emphasised that much more extensive facilities of transport are required in order to facilitate a fair distribution and movement of yarns to their consuming centres. There was some demand in the Northern centres and prices were steady, but the tone of the market remained depressed in view of the expectation that prices may be reduced from 1st March. Prices remained steady in the Eastern centres. There is good demand for yarn in the South Indian Markets and prices are steady. Demand for fine count yarns continues satisfactory, but a heavy shortage in these counts is experienced. A state of nervousness prevails in the market for Japanese art silk and staple fibre yarns since the fixing of their maximum prices by the Government These prices are very low, and it is hoped that early action will be taken to revise them and fix them at a reasonable level after due consultation with the importers and dealers. There were increased inquiries from the export markets, and some amount of business is reported to have been done for the Turkish and Abyssinian markets.

The effect of the Central Government Budget published last evening has had a rather depressing effect in the yarn market, although prices have not so far recorded any material decline.

The Commerce.

10. BOMBAY PIECEGOODS.

Bombay, 1st March 1944.

Prices of coarser counts of cloth have declined to some extent since the Textile Control Board has decided to reduce the prices of cloth and yarn from this month onwards. Although the reduction applies to the finer varieties of cloth also, marketwise, there has not been any great effect on these kinds of cloth, because of an

acute shortage of these varieties. Again, it is reported that production of finer varieties is being greatly impeded on account of the difficulties of getting superior staple varieties of cotton from abroad. Ready stocks of all kinds of cloth in the market are far below normal. The demand from up country centres continues to be good, and, further, some mills are not willing to book large orders. It is stated that apart from their being engaged in the production of Government orders and "Standard Cloth", some of them are finding it extremely difficult to maintain double-shift working in view of shortage of skilled labour and essential materials such as bobbins, etc.

The price reduction of cloth, as reported last week in these columns, is about As. 1½ per rupee. This means that the ex-mill prices of leopard cloth will herefter come to about Rs. 1-13-3 per lb. It may be mentioned here that this was the rate prevailing in September and October, 1942. Leopard cloth is now quoting at Rs. 2 per lb. in the market. Since the limitation of profits which mill agents and wholesale merchants can earn on sales of cloth, it is stated that retail merchants in the city are getting good profit, inasmuch as they are now assured of 16 per cent. profit on sales of cloth. Grey sheeting is sold at Rs. 2-1 per lb. and grey drill is round about Rs, 1-14 per lb. Bleached longcloth 30s and 40s is steady at Rs. 36 per piece. Bleached drill Khanta Chhap is more or less unchanged at about Rs. 30 per piece. Mulls No. 8181 are obtainable at Rs. 12-12 per piece, while Finlay High Society voiles, and other finer varieties are very difficult to get at the retail ceiling rates.

The Commerce.

11. MADRAS HIDES

Madras, 28th February 1944.

There has been practically a cessation of business in the kip market this week, as both buyers and sellers have been waiting to see the outcome of conferences

Controller, Ministry of Supplies, London; now in Madras, and the various sections of the trade here.

With the object of putting an end to the unsatisfactory and almost chaotic conditions which have prevailed of late, proposals have been made, and are under consideration, for regularising the trade on the following lines. Collective buying by tanners to prevent individual buyers forcing up prices of raw hides ; division of the available supplies of tanned hides between India and the United Kingdom, the fromer having the preference; the establishment of one control price for both the above markets ; and finally inspection of a proportion of all deliveries by Ministry of Supply representatives in Madras in order to establish a uniform standard and to put an end to the long delayed claims which have been coming in many months after goods have been shipped These proposais, is approved by Government, may come into force in about a month's time. Meanwhle, the market is left guessing at what level the new control prices will be fixed, and in the export market, there is practically nothing doing. The scheme depends upon (*a*) whether the collective buying can really be made to work, and prices kept stable in relation to the final control prices fixed by the Ministry of Supply, and (*b*) whether the prices paid for kips destined for the civilian markets' requirements can be kept in line with these control prices.

If these things can be done, the scheme should be workable and have a very beneficial effect.

The tanned skins market remains very firm. It is understood that the Assistant Controller will go into the question of tanned skins prices and supplies later. Meanwhile, the position created by the price advance of 6d authorized by the Ministry of Supply at the beginning of this month, has not been finally settled in its repercussions on business with New York.

The Commerce

12. MADRAS GROUNDNUTS.

April 19, 1941.

The local market ruled steady at the lower levels during the week Shippers' buying limits opened around Rs. 22–10 to Rs. 23–4 on Tuesday last for Machined (Per candy of 531 lbs. ex-coast godowns) and steadied to Rs. 22–4 and Rs. 23–10 on Wednesday and to Rs. 22–4 and Rs. 23–8 on Thursday. Subsequently, prices eased slightly to Rs. 23 and Rs. 23–14, but closed steady around Rs. 22–12 to Rs. 23–10 for Machined, per candy, ex-coast godowns. Local buyers' limits opened around Rs. 22–8 to Rs. 22–12 for Machined (Per candy of 531 lbs. ex-Madras harbour godowns), and after declining to Rs. 22 on Wednesday, improved slightly to Rs. 22 and Rs. 22–8 on Thursday, Friday and Saturday, and closed steady around Rs. 22–4 to Rs. 22–8 for Machined, per candy, ex-Madras harbour godowns. 'Offices' continue to buy freely in the Ceded districts, and are reported to have bought about 6,000 tons during the week. Local buyers have not been active as in the previous week, and only about 300 tons are said to have been purchased by Singapore shippers in Madras during the week. It is rumoured that advalorem duties of 10% and 15% will be levied on exports from India to Burma of Groundnut kernels and Groundnut oil respectively. In particular, the duty on oil exports will, it is feared, kill the export trade to that country. Rangoon shippers of both Kernels and Oil have now withdrawn from the market, and prices for both oil and for the quality of Kernels shipped to Burma have declined. Groundnut oil prices have shed Re. 1 per candy on balance. Opening around Rs. 48-8 to Rs. 49, Rs, 50 and Rs. 50 for "Chekku" "Produttur" and "Expeller" qualities respectively, prices eased to Rs. 48 and Rs. 48–8 in the case of Chekku" quality on Thursday with other qualities unchanged. The market closed weaker around Rs. 48, Rs. 49 and Rs. 48–8 for "Chekku", "Produttur" and "Expeller" qualities

respectively, for ready lots, per candy of 500 lbs. loose ex-sellers' Madras godowns.

The Indian Finance.

Section C (Annual Review).

1940, AN EVENTFUL YEAR FOR WHEAT.

Nineteen hundred and forty will be remembered as an eventful year in wheat history. Price movements during the period were violent and sudden and the sentiment was mostly swayed by other than strictly economic factors The two things that at sporadic intervals either bolstered up or suppressed the sentiment in a way quite incomprehensible to an average dealer in the market were the war news and the weather forecasts. But, as would be clear from the following details, the excitement produced by either died down within a short time.

Peak Prices in January. January opened with peak prices. But while the Price Control Committee was sitting at Lahore devising ways and means to exercise wheat price control nature came to the rescue of everybody-producers and consumers alike. They were welcome showers over a wide area in N. India, relieving the anxiety caused by a long.drawn-out drought. Markets reacted very bearishly and helped by a serious decline in the cotton and jute prices, rumours of the termination of the import duty on wheat after March, 1940, and the news that the U. K. had purchased a very large quantity of wheat in Canada and from Argentina, prices suffered a serious setback. More settled conditions were witnessed in February and the first half of March, when there was again a swing downwards despite the announcement of the extension of the import duty for another year. Bears once more had their turn and took their stand on the following argument. "We are on the threshold of harvesting what is regarded as a record crop at a time when the world statistical position was also very bearish." The war scare had temporarily subsided and the daily falling prices of cotton and other commodities made the

bulls hesitant and at times nervous. The second half of March recorded a decline of about 8 annas per maund.

Decline and Recovery in April. There was a welcome recovery again in April despite the fact that the all-India third wheat forecast report had announced a record crop of 10,437,000 tons as compared with 9,285,000 tons shown in the revised estimates last year. The upward trend was included by the suddenness with which political conditions worsened on the Contiment, and while the excitement caused by this factor had not altogether waned came the news that business in Indian wheat was concluded in the U. K. at 31s 6d. f.o.b., July shipment. This again encouraged hopes of more Indian wheat exports, particularly for the garrisons mobilised in Egypt and near stations. Prices were well maintained in early May, but it began to be realised more and more that so long as the war of tension continued, there was very little liklihood of the resumption of international trade. This was supported by the statistics of the last War period. The demand then increased so suddenly in the post-war years of 1917-18 and 1918-19 that prices which hadranged between Rs. 4-9 and Rs. 5-5 during the period 1913-14 to 1916-17, shot up to Rs. 6-6 in the first and Rs. 7-4 in the later year at Hapur. By this time pressure of new crop arrivals had also begun. There were small fluctuations in early June, but towards the mid-session, the publication of the fourth wheat forecast report again set in motion bearish sentiment. According to this forecast, the area was returned at 33,666,000 acres as compared to 34,941,000 acres (revised) at the corresponding period last year. The total yield was put at 10,674000 tons against 9,822,000 tons last year. The per acre yield was estimated at 710 lbs. as against 630 lbs. last year. The average per acre yield is a record since 1929-30 when it was put at 741 lbs. This optimism was not shared by anybody in the market and the accuracy of the report was freely questioned. In the regrettable absence of any non official agency forming such estimates under the guidance of experts as in Canada, U.S.A. and other countries, the official report has got to be relied upon,

but subsequent event have amply demonstrated that the Government report was grossly overestimated.

Prices Improve in July. During the month of July prices improved after a quiet start on encouraging foreign cables, daily deteriorating political conditions abroad, good spot demand at the ports with poor stocks and arrivals short of day-to-day requirements, good support from other commodity markets and the high speculative activity. Even the rains in N. India, so long awaited, failed to damp the enthusiasm. The same tendency was pushed through August when price oscillations were not very wide. The rains received so far were insufficient for the bhadoicrops to be sown in full swing and anxiety again began to be felt. Markets during this period remained very susceptible to weather news. The firms tendency was continued during September with greater force for a short respite on adverse political news which made the operators nervous and there was a general feeling to wait and see. Prices having one stage fallen sharply, rose to new heights for the last many months, Adverse crop reports from Australia were supporting the rising tendency. Weather was by far the most important influencing factor at this stage. Features of the 1940 monsoon were its rather late arrival, the steady monsoon with well-distributed rainfall from the last week of June to the end of August, the feebleness of the Arabian Sea current in September, and the cessatio n of both branches of the monsoon earlier than usual. Thus there was virtual drought when rains were needed, then there were heavy rains for a fairly long time so that sowings of the *swani* crops were delayed and then again followed a long dry spell spoiling the late-sown *swani* crops.

October Quiet : Rise in November. October was very quiet and price movements were unimportant, but November recorded a phenomenal rise in prices, far exceeding the expectations of an optimist bull. There was a gain roughly of 9 annas per maund, a record for

any month, most of which was gained in the third week. The sharp rise was followed, as could be expected, by an equally steep fall of about 4 annas, followed by a small recovery. This rise was due to both political and statistical reasons. Nearing of the war theatres to the Indian shores led once more to bullish out-burst with stock holders inclined to sit tightly on their holdings. The heavy exportable surplus in Canada and U. S. A. was mostly pledged under the respective loans schemes, leaving no free wheat in the open markets ; the spot demand at the ports was very encouraging, while the arrivals were p or and the stocks daily depleting ; the weather once more turned hostile and a spell of long drought continued and the unusually small arrivals of rice in India, ensuring the continuance of port demand. All these helped the bulls ; prices recorded higher and higher levels almost daily in the first half of the month. The subsequent reaction was due to the transaction of some Australian cargoes in Indian ports and slightly cloudy weather in some places. Nevertheless, the decline was temporary and the conditions towards the close of the month were anything but bearish.

Steady Decline in December. During early December there was a steady decline in the quotations due to scattered showers, comparative easiness in all the other foodsuffs markets, reports the pressure of arrivals at which has upset stock holders in many centres, and the slight easiness in the oversea markets. The middle of December however, witnessed a bullish outburst, but caused, as it was, mostly by sentimental actions, it did not last long. Huge speculative buyings of profit-taking character, activity of certain export houses at Bombay and Karachi fostering hopes of an early resumption of Indian exports led to a rise of about two annas per maund, but reaction soon followed on the publication of bearish Punjab coarse food cereal yield report increased crop returns Australia. Argentina and the U. S. A., the virtual blockade of exports from Karachi due to freight difficulties wide-spread rains over N. India. For the last several days

the sentiment has been quiet and slightly steady. The year thus ended with a more or less confident tone, with smaller stocks, extreme uncertainties about imports into and exports from India, with average sowings and an average standing crop in very early stages.

It would, however, be noted that while during the last war, the prices of agricultural c mmodities soared up very high of the great benefit of the agricultural community, this time the lot of the growers seemes to be sealed

The Commerce.

Section D (Extracts from Commodity Market Reports)

1. There was active speculative buying besides ***trade calling.***

Trade calling—Purchases by the trade.

2. The market opened steady ***bul later reacted sharply*** on news of the German 'peace offensive'.

But......sharply—But afterwards prices fell considerably.

3. The trade are still adopting a waiting attitude ; ***but there appears to be plenty of buying power on any small declines.***

But......declines—But there will be heavy purchases on a slight fall in prices.

3. ***While the intrinsic sentiment was distinctly pessimistic***, the general trend in the local wheat market, during the week under review, was indefinite. There were violent fluctuations ***which helped the operators.*** Earlier in the week Jeth option declined by Re. 0-1-3 per maund, owing to increased selling pressure from local merchants, outside speculators and ***liquidators. But subsequently their selling was absorbed by Hapur and other up-country markets*** with result that prices again came up to the previous level.

While......pessimistic—While the market was generally bearish.

Which helped the operators—which kept both bulls and bears active,

Liquidators—Bulls selling their holdings.

But......markets—But later on jobbers from Hapur and other up-country markets appeared as buyers.

5. *In the absence of sufficient stamina tong liquidation became the general feature* and over the month July-August Broach is cheaper by Rs. 19. Even a the present low prices *there is no resistance* and the market is left to itself desperately.

In the......feature—As the bulls could no longer hold on, they started selling.

There is no resistance—There are no buyers.

6. *We think the short side of the market extremely dangerous* and recommend purchases at present levels and on all declines-

We...........dangerous—In our opinion it is very risky to act as a bear.

7. *The basis for stapled cotton* has advanced during the week especially for Surat styles where Ahmedabad is a keen buyer.

The bssis for stapled cotton—The rate of stapled (fine) cotton.

8. *We look for higher prices bnt recommend caution, as with better weather in America profit-taking might cause a sharp decline on which we recommend purchases.*

We are of opinion that prices will go up, but for the present one must wait and see, because, if the American weather improves, there will be profit-taking sales and these may cause prices to fall considerably. If this

happens, the purchases may be made at the low prices.

9. There has been a rather better enquiry from the Far East for *Oomra styles*, but thed emand generally, it still most unsatisfactory and *the market is finding extreme difficult in standing up to hedge selling and the daily heavy arrivals.*

Omra styles—Oomra cotton.

The market......arrivals.—The prices are going down on account of hedge sales and the increasing supply of new cotton,

10. The only two factors which we note in connection with the advance are primarily that trade does not appear to have improved with the rise in prices, and secondly that *the market looks like becoming heavily overbought.*

The market......overbought—It appears that speculative purchases are exceeding speculative sales.

11. *The speculative bout which was witnessed at the end of 1939 reached its climax in the early stages of the year under review.*

The speculative contest between bulls and bears (*i.e.*, hectic speculation) started at the end of 1939 reached its highest point early in 1940.

12. Like cotton jute also suffered from *an orgy of speculative activity.*

An orgy of speculative activity—Wild speculation.

13. The turnover on the ready and forward sections was on the whole better, *with bears dominating the market.* As the Maha settlement is fast approaching, *some traders preferred to enter into straddling.*

With............market—Bears are said to control the market when prices go on falling.

Some.........stradding—Some operators, in order to prevent further loss, sold the next contract after Maha.

14. This decline in values has been accounted for by the ***improved crop outlook***, speculative liquidations, and ***bearish All-India Second Wheat Acreage Report.*** The area sown with wheat has been estimated at 33,182,000 acres against 32,381,000 acres, the estimate of the previous forecast, and 32,492,000 acres, returned in the corresponding forcast of the last year. During the domination of these constructively bearish factors, firm, foreign cables coupled with a good spot demand, however, failed to wield their influence on the values. (9-3-1940).

Improved crop outlook—The prospect that the standing wheat crop will be a good one.

Bearish...........Report—The official report showed that the area sown with wheat had increased when compared with the previous year. The All-India official wheat forecasts have a marked influence on wheat prices, because they indicate the future supply. There are five official wheat forecasts. The first and the second (called All-India Wheat Acreage Reports) are issued at the end of January and the middle of March respectively, while the third, fourth and fifth (known as the All-India Wheat Crop Reports) are published in the third week of April, fourth week of May and early in August respectively. The August report is the final report. The acreage reports show the area sown with wheat, while the crop reports estimate the probable yield.

15. On the other hand, there are some ***who pin their faith upon speculative interest being possibly revived on a breader scale in American cotton***, which is below world parity, and expect that the next major price swing will be upward.

Who........cotton—Who believe that there will be heavy speculative buying of American cotton.

16. Apart from a few sales by ***secondhands*** at reduced rates there is no business to report. (Jute fabrics).

Second-hands—Persons who had previously purchased goods from the mills.

17. *The "Inverbank" has been declared against the February-March engagements.* (Freight)

The steamship "Inverbank" has been put at the disposal of those to whom freights for February-March shipment have been sold.

18. The *offerings* comprised a wider selection than at last week's sale, though a large number of *rubbishy parcels were in print.* (Tea)

Offerings—Teas offered for sale.

Rubbishy......print—Inferior teas were included in the list.

19. *Heavy goods*—the *lame duck of the market*—showed continued weakness throughout the session. Even at the lowest levels there is practically no inquiry from consumers, and *the market seems to be bottomless*, and *the further the rates sag the more acute becomes the anxiety of the possibility of speculative failures.*

Heavy goods—Jute bags or gunnies.

The lame duck of the market—Something easily hunted ; that is, the goods whose prices fell considerably.

The market.........bottomless—It seems as if the prices would go down further.

The further.........failures—The more the prices fall the greater is the anxiety that spceulators will not be able to fulfil their obligations.

20. *Pucca bales have* reacted from the top under selling pressure *with no demand in evidense to arrest the decline.*

Pucca bales—A pucca bale of jute weighs 480 lbs.

With.........decline—There was no demand which could prevent the fall in price.

21. Rates are quoting a few annas higher for ***all positions***, though shippers have only bought to a limited extent far the near deliveries.

All positions—All forward deliveries.

22. *A fair trade has been passing* in *Cap qualities up to June*, and there has been renewed interest in sacks for the season from Australia. (Jute heavy goods)

A fair.........passing—Moderate business is being dcne.

Cape qualities—A kind of gunnies.

Up to June—For delivery up to June.

23. *As it is probable that there is also a number of short sales still to be covered*, a maintenance of present values is probable. (Sugar)

As it......covered—As there are some uncovered bear sales.

24. Interest during the week has centred in the jute and gunny markets, which have fluctuated sharply and *been the prey of rumour and counter-rumour.*

Been......rumour—Been affected by rumours of all sorts.

25. It can only be hoped that the recent revival and improvement in the position of tea *is a forerunner of a similar improvement in other markets.*

Is a......markets—Is to be followed by a rise in the prices of other commodities.

26. There has been a firmer tone in the piece-goods market, *but the "strike clause" has prevented replace. ment business.*

But the......business—Owing to the insertion of the strike clause in the agreement to be signed by importers

there has been little business in piece-goods. When there is danger of a strike the manufacturers in Lancashire insist on the inclusion of a strike clause in the agreement of sale. *Replacement business* means fresh orders.

27. All markets with the exception of what has recently become the *"Star Turn"*, tea—*have been under the influene of the holiday feeling* and business in Calcutta has been almost at a standstill.

Star Turn—Something specially promising.

Have......feeling—Have been dull. Holiday feeling implies absence of business.

28. With Australian wheat prices temporarily a shade easier, *buyers are holding off on the chance of this reacting on flour, etc., rates.* Little fresh business in the latter has been done during the week, but mills have been busy on previous engagements.

Buyers......rates—Buyers are waiting in the hope that the prices of flour, etc., will also fall.

29. The cotton *that will soon commence to move* will come upon a market absolutely *without a "short" interest.*

That......move—That will shortly come on the market for sale.

Without a "short" interest—Without a bear account. When there is a bear account in any commodity, the bears have to cover themselves, and therefore a rise in price may be expected. But when there is no bear position, no rise in prices can be expected on this account.

30. There was a sudden rush to buy and *nervous shorts were compelled to cover.*

Nervous......cover—Weak bears were forced to begin purchasing.

31. On a *"bottomless" market* foreign consumers naturally, though not wisely, held aloof and pursued their usual policy of *waiting for the bottom*, instead of *buying down the market.*

Bottomless market—A market in which the prices are continually falling.

Waiting for the bottom—Waiting for the lowest possible price.

Buying down the market—Buying at the falling prices.

32. On Tuesday the market opened firm but developed an easier tendency later, with the result that *some part of the advance has been lost, but prices are still higher on the week by 318d. per lb. for spot and April-June.*

Some......lost—Some of the rise in price has been lost.

But......April-June—But the prices for spot and April June deliveries are still higher at the end of the week by 318d. per lb. than what they were at the beginning.

33. *Spot lots* are finding buyers for local and country requirements.

Spot lots—Goods available for immediate delivery.

34. In sympathy with the decline in America the Bombay market also registered a similar decline in prices, but *the general sentiment appears to be bullishly inclined rather than to the bear side.* Consequently some *long interest* appears to have been built up in the market.

The general......side—The general feeling is that prices will not fall but they will rise.

Long interest—Bull purchases.

35. *Bulls were disappointed* and they liquidated their holdings in spite of unfavourable weather and other bullish factors. (Cotton).

Bulls were disappointed—Bulls became hopeless owing to falling prices.

36. The market closed *on an easier tone* with buyers *looking on.*

On an easier tone—With a tendency to lower prices.
Looking on—Waiting.

37. Demand is good and this factor added to a report that *Java bookings* for the month of April to India are poor has steadied the market.

Java bookings—Sales of Java sugar.

38. Dealers have with difficulty taken up the greater part of their *April commitments*, but are finding difficulty in disposing of these at a profit.

April commitments—Purchases made for April delivery.

39. There is undoubtedly a speculative account in existence both in England and America, but we believe that the people who are now putting money into rubber are in the main of a class *which can afford to hold on* and *will not be shaken out* by any temporary setback in price

Which......on—Which are able to wait.

Will not...out—Cannot be compelled to begin selling

40. Some outside buying orders were received and *the market brightened a little but closed flat.*

The......market flat—The price rose a little but fell again at the close.

41. Although in most instances *the quoted cost of replacement gives local values a very satisfactory appearance*, they are barely maintained and have a tendency to weaken at the first sign of selling pressure.

The quoted........appearance—The present prices ruling in the local market are lower than those quoted by manufacturers for new business.

42. The forward sales of ***light whites*** by one importer at rates well below the corresponding ***spot values*** in the bazar have caused a little uneasiness in the minds of dealers.

Light whites—Bleached cotton piece-goods of fine quality.

Spot values—Ready prices.

43. *The sellers were somewhat reserved at the close.*

At the close the prices had a tendency to rise.

44. Reported damage to the crop by the recent inclemency of the weather has told on the market and prices have advanced. Sellers now quote for ready lots Rs. 5-14 to Rs. 6-12 per *B. md.*, packed in gunnies, according to quality. Nothing of any importance is doing for export.

B. md.—Bazar maund of $82\frac{2}{7}$lbs.

45. A notable feature of the week in the gold market was the ***unloading*** by the bull operators of their holdings for May settlement, ***which resulted in the premium of one anna per tola for this delivery over June being reversed to one anna per tola discount.***

Unloading—Sales.

Which......discount—Prior to bull liquidation May gold was one anna higher than June; but, as the result of bull sales, May price became one anna less than June. That is to say, May gold fell by two annas.

46. Sales on ***smart spurt*** and purchases on ***recessions*** are advisable.

Smart spurts—Sharp rises in prices.

Recessions—Falls in prices.

47. The policy of selling on good ***rallies*** and purchases on ***dips*** for short profits seems still to be advisable.

Rallies—Advances in prices.

Dips—Falls in prices.

48. Oomra and Bengal December-January contracts have improved by Rs. 3–8 and Rs. 2–4 respectively over last week, ***due to straddle covering by shorts.***

Due to.........shorts—Owing to covering purchases made by bears.

49. Conditions remained ***quiet*** and ***secondhand quotation eased*** by about one anna a maund. Considerable pessimism has arisen due to Java's reduction in her ***selling limits.***

Quiet—No business was done.

Secondhand quotations eased—Prices quoted by merchants (not by sugar mills) fell. A sugar mill may be considered a firsthand, while a sugar merchant who purchases from the mill may be called a secondhand.

Selling limits—Sale prices.

50. The local market has displayed a better ***undertone*** A good ***offtake*** by Japan is reported and Japanese shippers have been fairly consistent ***buyers of contracts.***

Undertone—Future tendency of prices.

Offtake—Purchases.

Buyers of contracts—buyers of cotton for future delivery. A contract means a future.

51. ***Bulls have been caught napping.***

Bulls have been surpised, because the prices have unexpectedly fallen.

CHAPTER 3.

COMMODITY MARKET EXERCISES.

1.

Hapur. Aug. 17.

The local wheat market was *irregular* last week but towards the latter period a *definitely quiet tone has supervened* and prices have closed about Re. 0–1–3 per maund higher as compared to last week. *The publication of the final all India wheat report which was well above expectations was followed by a sharp decline in prices.* There was a slight recovery but *the market lacked initiative* and prices again *receded.* Favourable weather, record crop estimates and the daily deteriorating political conditions are distinctly for a bearish future. On the contrary good spot demand evinced locally as also in the ports, very small arrivals and moderate stocks are likely to counteract this tendency. *The accuracy of the forecast report is doubted in the markets* but in the absence of other independent statistical data this has to be relied upon. Weather in the next month and the near political development abroad are likely to be the two most dominating factors and the future seems to be very uncertain.

1. Explain the italicised expressions.

2. What bull and bear factors are indicated in this report ?

3. Which are the two most dominating factors ?

4. Condense this report into a telegram.

2.

Bombay Dec. 10.

Messrs, the Patel Cotton Company, Limited, reviewing the Bombay cotton situation state :—Following the *hectic activity* which carried the advance in the Bombay catton market to over Rs. 300 for Broach, *prices have reacted sharply*. Weakness in jute brought down cotton to the level of Rs. 277 during Tuesday's inght session *on fairly heavy long liquidation. but prices staged a rally to* Rs. 288 on the subsidy announcement but it failed to be maintained.

In point of fact, the *technical position* of the market was never so weak as it has recently been and of this nobody is more conscious than the bulls themselves. *Easy gains are finding some difficulty in being consolidated.* The market's sensitiveness to any attempted liquidation can well be understood, *The persistent liquidation by speculative longs*, to which this market has been subject, depressed the Broach contract to Rs. 268-8 on Friday. Japanese buying and renewed speculative support however, has been responsible for a subsequent recovery to Rs. 276-8. *The technical position has slightly improved due to the recent liquidation.*

A factor *which has damped the bullish enthusiasm* is the communique issued by the Bombay Government that the Governor of Bombay intends in the next day or two, to make an Act declaring void all *options in cotton.*

1. Explain clearly in your our words the meaning of the phrases in italics.

2. Say what you know about options. Why do you think the Bombay Government wanted to stop options ?

3. What are the principal cotton markets of the world ?

3.

Speculation has again been rampant in all commodity markets and *many produce exchanges have experienced serious difficulties in carrying out the usual periodical settlements.* On more than one occasion business has had to be suspended temporarily. As a result of these speculative activities prices have risen steeply for the second week in succession and there have been gains of between Re. 0-3-9 and Re. 0-8-3 per maund *in different positions.* There are further reports *that these spectacular upswings have been largely initiated and sustained by the operations of Calcutta interests* who having made substantial profits out of the phenomenal rise in the price of jute, have turned their attention to other commodity markets. *Trade and mill demand at the ports continues to be good*

1. Rewrite in your own words the italicised expressions.

2. What is the difference between a commodity market and a produce exchange ?

3. Why were the Calcutta operators responsible for the wild speculation in wheat above referred to ?

4.

While trading in the silver section of the *Bombay Bullion section* was *featureless,* active conditions were witnessed in the gold section where speculators continud to buy and sell according to the nature of news coming from *the Continent* and *the Far East* Consequently, *variation in rates were wide and erratic.* A significant feature of the week's trading was the somewhat reduced demand for spot gold and sovereigns, but this could not affect the prices to any appreciable extent as arrivals were small.

The strong bullish activity noted towards the close of the last week continued unabated during the initial days

of the week. There was a considerable amount of ***general buying*** and, there being no sellers, ***the price of spot gold recorded a new high level of Rs. 44-4*** on the 28th inst. as against the week's opening of Rs. 43-13-6. At the higher level, ***demand subsided*** and ***profit-taking by option dealers*** forced the rate down to Rs, 43-8 on the same day. On the 1st inst. also, the downward trend continued ***as a result of general realising*** the lowest touched for spot gold on that day being Rs. 43-3-6 The lower levels proved to be only temporary, the rates again moving up by as much as As. 10 to Rs. 43-13-6 on the 3rd inst. owing to renewed speculative buying influenced by the developments in Bulgaria. ***During the last two days of the week, however the market exhibited a persisting quieter tendency. Though aggressive selling was absent, operators generally preferred to book their profit as much as posible***, with the result that the rate gradually declined to close at Rs. 43-8-6 for ready, Rs. 43-9-3 1st settlement and Rs. 43-10-6 2nd settlement. A week ago, ***these positions*** were quoted at Rs. 43-12-9 and Rs. 43-13-9 and Rs-43-14-9 respectively.

1. Rewrite the italicised expression in your own words.

2. What do you understand by settlements on the Bullion Exchange ?

3. Why has there been so much rise in the price of gold ?

5.

In striking contrast to a succession of rapidly advancing markets in Liverpool and Bombay, the New York market has doubtless been a tame affair. The steadier tone witnessed in the earlier part of the week was not sustained, and apart from some ***straddle buying of October by Bombay against sales of Indian***, there was very little in the way of feature to record.

Hedge selling has been in evidence each day, and the incentive to undertake fresh commitments suffered a check owing *to the lack of freight.* The gravest danger that the German mine warfare holds for even neutral shipping has produced a feeling of consternation emphasizing the shipping hazards which, it is feared, may result in the accumulation of larger stocks in U. S. ports.

The same reason contributed to the Liverpool market *anticipating a further shrinkage of supplies*, which are phenominally low, and *displayed a distinctly buoyant tone during the week.* Yesterday, however prices closed *29 points under the peak point of the day* on profit-taking and stop-loss selling *Evidently there is a feeling that the advance has been carried too far*—A. P. 1.

1. Rewrite the italicised expressions in your own words.

2. Explain the terms : Straddle buying ; Hedge selling ; Profit-taking selling ; Stoploss selling.

6

The following is the weekly review of the Hapur wheat market.—

The local wheat market remained very sensitive. There was a record rise in prices, and although it was followed by a reaction, *quotations on the close have been appreciably higher as compared with last week.* Mangsir forward opened at Rs. 3-5-9. The highest during the week touched Rs. 3-11-6 for Mangsir and Rs. 3-15- 9 for Jeth.

The bullish outburst, which by no means appears to be temporary was principally due to continued draught damage fears, supported by strength of oversea and all other commodity markets and good spot demand at the ports. The rainfall in the U. A, and in the Punjab during the period from June to mid-November has been much

below normal and is believed to have not only adversely affected the sowing acreage but is expected to damage the germination of the already seeded acreage.

In the market *bears have been completely routed* and the only sellers were those who were realizing profits. The reaction towards the close of the week was due to slight shower reports from Karachi, heavy profit-realizing and to the fact that prices had risen abruptly earlier.

1. Explain the italicised phrases.
2. Write a precis of the extract.
3. What is a speculative about ?

7

Hapur, 31st January 1941.

During the week under *review*, wheat markets in general remained in a very confused position. *There was a regular tug-of war between the two opposite sections.* The bulls, obviously taking their stand on strong old crop position due to moderate stocks, fair domestic demand. together with occasional shipments from Karachi and hopes of huge Government military buyings, held the market steady. At lower levels, support invariably appeared. *Towards the end, however a definitely bearish sentiment seems predominating.* The fear of the Marketing Act being applied in the Punjab, has induced stock holders to make increased offers. *The fate of the import duty is yet in abeyance* and unless the decision to extend it to another finacial year is announced, *the fact is bound to have a sobering effect on the bullish drive.* Next to these is the fact that weather conditions in Northern India have been excellent of late and the crop is reported to be progressing very well. In the markets, *stock holders are no longer eager to stick to their holdings* ; on the other hand, there have been free offers for Maha and January delivery

accounts. The offtake in the U. P. markets is disappointing. *Then there is the bearish world statistical position.*

Despite this predominantly bearish view, there are still *optimists* in the market who adhere to the sentiment expressed by us intour last review that condition for the present do not warrant hopes of any serious fall in the *old wheat position* for any long period. They argue, and not without reason, that the statistical position at the ports is very steady, that arrivals have been much lower than last year and the present stocks are very poor. They also pin hopes of good exports to Near Western countries which would like to raise huge stocks in view of the daily worsening political conditions. Stock figures from the Punjab are not very encouraging. According to the compilations of an esteemed Lyallpur daily, wheat stock in the main Punjab markets this year is estimated at 928,300 bags as compared with 1, 844, 500 bags last year. Separately put, the stock at Amritsar is 80,000 bags and at Lyallpur 40,000, as against 130,000 and 150,000 bags, respectively, last year.

The new wheat crop position is comparatively easier, although the first all-India wheat forceast for the season 1940-41 showing an increase of 1 per cent, in sowing did not affect the market. According to this forcast, the 1rea is put at 32,809,000 acres, as against 32,526,000 aacres of 1939-40. The gencral expectations were for a much higher increase.

1. Explain the italicised expressions in your own words.

2. On what grounds did bulls and bears take their stand during the week ?

3. What do you know about all-India wheat forecast ?

8

Madras, 3rd February, 1941.

It was announced early last week that the *Ministry of Shipping had cancelled the priority allotment of space*

for hides and skins in February and that there would be no shipment of these goods in that month. This is a most serious matter for the trade here, as owing to good demand from London and free supplies here the amount of space available in December and January had proved quite inadequate and *January ended with an accumulation of probably 7,000 to 10,000 bales ready for shipment.* As all shippers have further commitments and goods will continue arriving here during February, *the stock position at the end of the current month must be one of extreme congestion* and the prospects of relief in March are naturally quite uncertain.

A cable stressing the extreme difficulties in which the trade has been placed has been sent to London but it is obviously doubtful whether anything can be done by the authorities to help shippers for the present. It is hoped however, that, *when the effect of the embargo an shipment is placed before the Shipping Controller and the Ministry of Supply*, it will be found possible to make an allotment in March, at any rate equal to the orginal allotment for February which was subsequently cancelled.

This new crisis has rather placed in the background the difficulties raised by the new schedule of priority qualities published on the 10th January. So far no information has been received as to whether it will be amended and the position regarding goods which though not on the priority list are contracted for with buyers at home remains obscure.

1. Explain the italicised phrases.

2. What do you understand by (*a*) priority goods, (*b*) Shipping Controller, (*c*) Ministry of Shipping, and (*d*) Ministry of Supply ?

9.

Though not unexpected the actual ban on option dealing by a Government Ordinance was a disturbing factor in the Bombay market this week. Against this

ban, aiming, as it does, at putting a check on the rapidity of the present upward movement of prices the East Indian Cotton Association has expressed an emphatic disapproval of this measure. If a Government, they point out, could not do anything to help the grower during the long period of heavy depression, there can be no excuse for their interference now when the farmer has an opportunity of getting a fair return for his produce and thus to compensate for his past losses at least partially.

As a protest against the ban trading on Tuesday was suspended for about an hour and a half but when it was resumed the market established new records April-May Broach *soaring up* to Rs. 315-8 on Tuesday, Rs. 324-8 on Wednesday and Rs. 337-8 on Thursday. *Short selling was scared away.* Buying orders continued to be very large and could easily absorb heavy profit-taking. *The tone was further strengthened by partial covering of their heavy short commitments by some European houses.*

Yesterday however the market took a sudden downward turn in sympathy with distinctly bearish advices from Alexandria and Liverpool markets and also owing to a sharp setback in the New York market. Yesterday April-May Broach declined to Rs. 315. There has been good demand for ready cotton. Owing to the advance of the oversea markets *which progressed vertically* consumers were anxious to cover their needs.

Japanese shippers bought fairly substantial quantities of Berars, C. P. and Moglai styles. *Large blocks of new crop cotton with the exception of Bengal were promptly sold out. Staple styles were in good request by mills and due to further reduction in American subsidy rate the basis of East African styles has appreciated still further.*

1. Explain the parts in italics.
2. On what ground did the East India Cotton Association express its emphatic disapproval of the Government ban on option dealings in cotton ?
3. What varieties of cotton are the subject of cotton futures in India ?

10

The local wheat market during the weak under review *was again characterized by an easier feeling* and *the nervous conditions created last week end on the futures" section vanished into the air.* Earlier the prices registered a sharp decline of about three annas per maund in Jeth delivery *as a consequence of the pressure of speculative liquidation precipitated by ideal weather reports from the inner parts of the country coupled with bearish overseas cables*. But thereafter the prices, however, recouped and made their loss good to some extent. *Maha quotations remained comparatively steadier owing to active trade demand.*

Maha and Jeth prices were quoted at Rs. 4-10-6 and Rs. 4-6-3 respectively last week and during the initial days of the week they sagged to Rs. 4-8-0 and Rs. 4-2-3, *touching the bottom levels. On the lower rates, the weak holders lost their confidence and tried to harvest whatever profits they could by way of switching up their transactions.* Later on, the market, somehow or other, *imbibed strength from renewed buying by professionals and firm Calcutta and up-country advices.* The market closed finally with Maha at Rs. 4-9-0 and Jeth at Rs, 4-3-9. *Price variations were wide throughout.*

1. Explain the expressions in italics.
2. Why was the market characterised by an easier feeling at the beginning and why did it steady later on ?

11

The yarn market has continued to remain *dull and featureless* throughout the whole past week so far as Indian yarns are concerned, and whilst prices have not undergone any material change, *the undertone has remained rather quiet.* Cotton prices remained very steady at the earlier part of the week but during the later part there has been some decline *which has adversely affected the feeling in the yarn market* to some extent and *some of the weak solders have again been anxious to make*

sales of their holdings at some concession in prices if buyers are not forthcoming for a decent quantity. Reports from almost all important consuming districts are not yet encouraging, and even Calcutta *which was reported to be in a buying mood* a few days back, has again been keeping silent. Some of the South Indian mills have been able to make large sales of their yarns at vary cheap and attractive prices during the last few days and it seems as if the buyers are now not willing to make any further purchases until their recent speculative holdings have been liquidated. *There have been moderate enquiries from other markets* for several Indian yarns, particularly for fine yarns, but prices offered by the sellers were found too high and, therefore, no bnsiness of importance has been possible during the week. As regards export markets, enquiries have increased during the last few days, especially from Hongkong, but only cheap priced goods have been finding a sale in that market. As regards Rangoon and various other markets, demand has continued to remain very slack and no business of importance has been possible for any of these important markets. *Mills, on the other hand, have been yet adopting a rather firm attitude*, probably due to steady cotton prices and also to substantial orders received from Government as well as from export markets both in cloth as well as in yarns. *On the whole, the market has remained quiet but steady.*

Explain the italicised expressions and write a precis of the extract.

CHAPTER 4.

STOCK AND SHARE MARKET TERMS.

A share market or stock exchange is an institution for the purchase and sale of securities representing monies lent for a long period. A money market, as will be explained in a subsequent chapter, is an organisation through which money seeking short-term investment is dealt with. In other words, the term "money market' is used collectively for the various banks and other financial institutions of the country. A stock exchange or share market, on the other hand, facilitates the investment of funds for a longer period by providing the necessary machinery for the purchase and sale of securities representing long-term investments. The commodities dealt with on the stock exchange are government securities, debentures of local authorities and companies and shares of companies. Each type of security in which business is carried on represents a particular section of the share market.

The face value of a security is called its nominal value, but its actual market price is seldom the same as its nominal value. The market price of a security is governed by many factors, such as the income obtainable from the security, the prevailing rate of interest, the political situation existing at any particular time, safety of money invested, the chance of capital appreciation or depreciation, the volume of speculation in the market, and so on.

In India there are stock exchanges in Bombay, Calcutta, Madras, Delhi, Lahore and Cawnpore. The business on a stock exchange is carried on through brokers known as "stock and share brokers". A person

who wants to buy or sell a security can do so only through a recognised broker. Each stock exchange has its own elaborate rules for the transaction of business.

Dealings on a stock exchange are of two kinds: Raedy and Forward. In the first case the transaction is completed at once or in a few days; while in the other the delivery and payment are both postponed to a future date. On all organised stock exchanges the forward business done is settled on certain fixed dates known as "Settlement Days".

The forward business which goes under the name of *vaida* business is usually settled every month, and the settlement of forward transactions is effected through the agency of a clearing house.

Nominal or Face Value. It is the amount stated on the face of the security. In the case of shares of companies, however, the share certificate mentions both the nominal value of a share and the amount actually paid thereon by a shareholder.

Market Value. This is the price of a security at which holders are willing to sell and the purchasers prepared to buy it. The factors affecting the prices of securities have been briefly stated above. When the price of a security is the same as the nominal value, it is said to be *at par* ; if it is lower than the nominal value it is said to be *at a discount;* and if it exceeds the nominal value, it is said to be *at a premium.*

Stock Exchange Speculation. Speculation exists not only on commodity markets but also in stock exchange securities ; and almost all the terms connected with commodity speculation apply to stock exchange speculation.

Investment Demand. Demand from persons, who intend to hold securities as an investment for the purpose of earning income, and not with a view to reselling them at a profit, is referred to as investment demand.

Speculative Demand. Demand coming from persons who want to purchase stock exchange securities with the object of reselling them at a profit whenever their price goes up, is called speculative demand. The speculators do not purchase securities as an investment, they acquire them not for the sake of the regular income obtainable, but for the profit they may be able to make on resale.

Scrip. This is a common term employed on the stock exchange for any kind of security, such as government paper, debentures and shares. The term ,*stock*, is also used in the same sense

Counters, Issues or Units. These are used for shares of companies.

Marketable Securities. These are securities that are capable of being sold in the open market. A share in a private company cannot be called a marketable security' because it cannot be sold to any one.

Government Securities. Promissory notes or bonds issued by the Central Government or Provincial Governments for monies borrowed from the public are called government securities.

Gilt edge Securities (also briefly called simply '*gilts*') First class securities which give the investor the greatest possible degree of safety are known as gilt-edge securities The term is generally used for government securities.

Investment Securities. Those securities, which, from an investor's point of view, may be considered sound both as regards the income to be derived therefrom and as regards the repayment of capital invested therein, are known as investment securities. They rank next to government securities in point of soundness, and usually include debentures and shares of banks insurance and public utility concerns,

Trustee Securities. These are securities in which trust funds can be legally invested, i. e., those in which the capital remains quite, safe. These consist of govern-

ment securities and debentures of local authorities.

Industrials. These are shares of industrial companies as opposed to banks, insurance and public utility companies.

Equity Shares (or simply **'Equities'**). These are the ordinary shares of companies.

Speculative Counters or **Issues.** These are shares in which speculative business is usually carried on. They are also known as speculator's favourites.

Budlee or **Carry-over.** A speculator who has bought or sold a security for forward delivery may be unable to pay for it or to deliver it on the settlement day, and therefore he may desire the completion of the transaction to be postponed to the next settlement. This is called 'carry over' or 'budlee' from one settlement to another.

Arbitrage Operations. These consist of purchasing a security in one market and selling it in another, when its prices in the two places are different.

Yield. In connection with an estimate of the prospects of a company, it is also useful to calculate the yield on its shares. The term 'yield' means the percentage of income expected on the capital invested in the shares of a company. The yield on the equity shares of a company is calculated on the basis of their current market prices and the expected annual dividend. The current market quotation to be employed for the purpose of calculating yield should not include any dividend recently declared on the shares, and the expected yearly income will usually be based on the last year's actual dividend, increased or decreased, if necessary by the company's future prospects. The exact method of yield computation will now be explained by means of a few examples.

1. A company paid for 1945 a dividend of Rs. 10 per share free of tax on its Rs. 100 fully-paid shares quoted at Rs. 165 ex-dividend. The yield on these shares works out to 6.06% free of tax. That is to say,

an investor who purchases one share will have to pay Rs. 165 on which he may expect a dividend of Rs. 10 if the last year's rate of dividend is maintained. But if the future prospects of the company suggest that the dividend for the current year may be raised to Rs. 12 per share free of tax, then the yield will be 7. 3% tax-free.

2, A company paid for 1945 a dividend of 20% free of tax on its Rs. 10 fully-paid shares quoted at Rs. 60 cum-dividend- Deducting the accrued dividend of Rs. 2 from the cum-dividend quotation, the ex-dividend price comes to Rs. 58 per share, and the yield thereon is 3.45% free of tax.

3. A company paid for 1945 an interim dividend of 8% and a final dividend of 28% on its Rs. 50 fully-paid shares quoted at Rs. 312½ cum-dividend. Here the dividend included in the quotation is only the final dividend, namely, Rs. 14 per share. The ex-dividend price works out to Rs. 298-8-0 and the expected annual dividend on the basis of the last year's dividend is Rs. 18 per share. Therefore the yield comes to nearly 6%.

4. A company paid for 1945 an interim dividend of 22½% and a final dividend of 22½ on its Rs. 25 fully-paid shares quoted at Rs. 214 ex-dividend. The yield on these shares is 5.20%.

Cum Dividend (cum div. or **c. d.).** A cum div. quotation of a stock exchange security means that the price includes any interest or dividend that may have accrued on the security since the last date on which it was last paid, and that the purchaser would be entitled to receive the next interest or dividend payable.

Ex Dividend (ex div. or **x. d.).** An ex dividend quotation of a security means that the next interest or dividend payable upon it is not included in the price. That is to say when a security is sold ex div., the next interest or dividend will be received by the seller although he

has already parted with the security. But it does not mean that the purchaser loses his share of the income, because the amound of interest or dividend for the period between the date of sale and the date of the next interest or dividend payment, which should belong to the purchaser of the security, is given by the seller to the buyer by way of deduction from the real price of the security. It follows, therefore, that the ex div. price of a security is always short by this amount of interest or dividend.

The price of fixed-interest securities are quoted ex div. at or near the date when interest or dividend is payable. The exact period for x, d. quotations is fixed for each class of security by the rules of the Stock Exchange.

Cum-dividend cum right. Sometimes the market quotation of the shares of a company includes not only the dividend declared thereon but also the value of rights attached to them. Such a market quotation is known as the cum-dividend cum-rights price. The rights referred to in the market quotation may be either a right to the new issues of shares at concessional rates or a right to the free issue of bonus shares. In calculating the yield on a share which is quoted cum-dividend cum-rights, the value of the dividend and the value of the rights included in the quotation must be ascertained and the ex-dividend ex-rights price of the share worked out. How this should be done is described in the following illustration.

A company has an issued and fully-paid share capital of Rs. 10,00,000 in Rs. 100 shares. It increases its share capital by the creation of 5,000 new shares of Rs. 100 each, which are to be offered to the existing shareholders at Rs. 205 each in the proportion of one new share for every two old shares held. The company has also declared a dividend of Rs. 15 per share for the last year. The market quotation of the shares after the declaration of dividend and the announcement of rights is Rs. 265 per share cum-dividend cum-rights. The yield in this case will be computed as follows :—

	Rs.
Cum-dividend cum-rights price ...	265
Less the amount of dividend included therein	15
Therefore the ex.dividend cum-rights price is	250
The ex-dividend cum-rights price of two shares which must be bought in order to be entitled to a new share at concessional rate will be	500
Add the amount to be paid to the company for a new share	205
Therefore the ex-dividend ex-rights of three shares becomes	705
Or, the x.d.x.r. price of a share is	235

In other words, the value of rights attached to each share is Rs. 15.

Now a dividend of Rs. 15. is expected on a capital of Rs. 235. Therefore the yield comes to 6. 4%.

If in the above illustration the company does not issue fresh capital at concessional rates, but it issues one free bonus share for every four shares held, then the yield will be worked out as under:—

The ex-dividend cum-rights price of four shares which must be purchased in order to secure a free bonus share is Rs. 1,000. That is to say, by investing Rs, 1,000 a shareholder becomes entiled to a free bonus share. In other words, the ex-dividend ex-rights price of five shares is Rs. 1,000 or the ex-dividend ex-rights price of a share is Rs. 200 on which a dividend of Rs. 15 may be expected. Therefore the yield works out to 7.5%.

Take another illustration. A company's issued capital consists of Rs. 10 fully-paid ordinary shares. It prepares half-yearly accounts and it has just declared a dividend of Rs. 4 per share free of tax for the last half-year. It also declares a capital bonus by issuing one free Rs. 10 fully-paid preference share as a bonus share

for every five ordinary shares held. After the declaration of the dividend and the capital bonus, the market price of its ordinary shares is quoted at Rs. 92½ cum-dividend cum-rights; and it is also expected that the preference shares issued as bonus shares will have a market quotation of Rs. 15 each. In such circumstances the yield will be calculated as follows:—

	Rs.	a.	p.
The cum-dividend cum-rights price of an ordinary share	92	8	0
Less, the amount of dividend included therein	4	0	0
Therefore the x. d. c. r. price of an ordinary share is	88	8	0

Now for every five ordinary shares held one free preference share is received as a bonus share, and the expected market price of this bonus share is to be Rs. 15. Therefore Rs. 3 is the value of the bonus right attached to each ordinary share; and the ex-dividend ex-rights price of an ordinary share will be (Rs. 88-8-0 minus Rs. 3) or Rs. 85-8-0, on which a half-yearly dividend or Rs. 4 or an annual dividend of Rs. 8 is expected. The yield will then come to 9.4%.

S. l. or **S. O. l (small lots or small odd lots).** These abbreviations are often attached to price quotations and indicate that only a small business was transacted, and therefore the quotations given may not be taken as a fair indication of the price movement.

Stock and Share Market Reports. Daily and weekly reports of the business transacted on the stock exchanges and the price movements of the various securities appear in the leading English newspapers of the country. Hindi and Urdu newspapers do not usually publish share market reports.

A daily stock exchange report is confined to a brief statement of the market tone and the quotations of

principal securities dealt in ; while a weekly report is a more detailed one. These reports are usually divided into a number of paragraphs, each para describing a particular security.

The Calcutta Stock Exchange reports deal with government securities, investment securities (i. e., debentures and preference shares), bank shares, railway shares, jute shares, coal shares, tea shares and miscellaneous shares ; while the Bombay reports deal with government securities, cotton shares, electric and steel shares, banks, insurance and railway shares, and miscellaneous shares.

In the share market reports the various securities are stated in order of soundness— the soundest, the most stable and the least speculative being dealt with first, then the next best, and so on. This arrangement of the market reports is useful to the readers, because an investor who is interested in a particular security can at once locate it in the report without having to wade through the whole of it before finding out what he wants.

CHAPTER 5.

STOCK AND SHARE MARKET REPORTS.

Section A (Daily Reports).

1. BOMBAY STOCK EXCHANGE.

February 3, 1947.

Lack of support at higher levels, due to political uncertainty, caused a steady decline in prices, and the close was a trifle better than the lowest of the day.

In spite of continued lower advices from Calcutta and adverse political news the session opened with a steady tone.

The only redeeming feature was Meyer Sassoons which were in demand at 292-8 on announcement of a new scheme by the directors who offered Rs. 300 cash for ordinary shares of the old concern or option to exchange for the preference and ordinary shares of the proposed new concern. Tata Defd after declining to 2,635 closed a shade better at 2,652-8. Tata Orday. fluctuated between 484 and 480. Bombay Dyeing moved within narrow range of Rs. 10 and closed steady at 2,840. Kohinoors and Simplex had some inquiry at lower levels.

Electrics and Insurance group ruled quiet. New Indian Assurance receded to Rs. 99.

Banks developed a weak tendency in absence of investment inquiry.

In miscellaneous section Associated Cements were marked down at 45-12 in sympathy with general decline. Scindias further depressed to 37-3.

Indian Irons and Bengal Steels kept low at 43-14 and 35-4 respectively. Hindustan Motors had sellers at 9-4 and Indian Copper at 4-2.

Securities: The market ruled featureless in absence of any buying inquiry. 3% 1986 hovered round 102-3. 3%. 1970-75. 3% 1963-65 ond 3% 1966-98 were all quoted lower at 102-4.

The market will remain closed being Bank holiday.

Fluctuations in Important Scrips on Monday, 3rd February. 1947 :—

Deffered: 2,670, 77½, 70, 75, 67½, 52½. 50, 57½, 37½, 55, 52½, 50.

Ordinary: 482, 84½, 83, 83½, 81, 82, 80, 81.

Dyeing: 2,845, 35, 55, 30, 40, 37½.

Nagpur: 400, 399, 410, 398, 97, 98, 97, 96, 94.

Finlay: 400, 1, 398, 99, 97.

Indore: 795, 80, 95, 60, 70, 50, 65, 50.

Kohinoor: 875, 73, 76, 68, 73, 73, 66, 69, 65, 67, 64, 66.

Swadeshi: 840, 42, 27' 38, 29, 30, 28, 31.

Cement: 218½' 19½, 19, 16.

GOVERNMENT SECURITIES :—3% **Non Terminable** 1986 102-3, 3% 1957 102-10. 3% 1959-61 102-9, 3% 1963-65, 102-4, 3% 1966-68, 102-4. 3% 1970-75, 102-4.

BANKS :—**Bank of India** 250, **Baroda** 176, **Central** 133, **Habib Bank** 200, **Imperial** 2,600, **Imperial Contributory** 660, **Reserve Bank** 139, **Union Bank** 14-6, **U. Co, Bank** 113.

ELECTRICITY :—**Ahmedabad Electricity** 170. **Andhra Valley O** 1,662-8. **Bombay Tram O,** 119, **Bombay Tram P.** 54-4, **Tata Power O,** 1,740. **Tata Hydro O,** 190.

SPINNING AND WEAVING COMPANIES :—Apollo 5, Bharat 65, Bombay Dyeing 2,840. Central India O, (Nagpur) 396, Edward Sassoon 760, Elphinstone 101, Finlay 397, Gokak Mills 356, Indian United (O) 18-9, Indian United (D) 4. Indore Malwa 757-8, Gokak 425, Kohinoor 872, Laxmi Cotton 1,925, Madhusudden 525, Meyer Sassoon 292-8, New Great Mills 563. New City 287-8, Podar 397-8, Swadeshi Mills 835, Simplex Mills 422, Tata Mills (O) 125, Vishnu Cotton O 713-12.

ASSURANCE COMPANIES :—Indian Mercantile Insurance C. 99.

MISCELLANEOUS :—Alcock Ashdown 600, Associated Cement 215-12, Belapur 303, Burma T. Corpn. (Fully paid) 615, Burma T. Corpn. (Partly paid) 213-12, British Burma Petroleum 4-6-9, Burma Corporation 5-7-0, Indian Copper 4-2-6, Indian Iron and Steel 43-14, Premier Construction 260. Scindia Steam 37-3, Steel Corpn. Bengal 35-4, B. I. C. 10-8, Tata Chemical (O) 18, Tata Iron 2nd P. 173-8, Tata Iron O, 480-8, Tata Iron (W) 2,652-8, Tata Oil 103-8, Western India Match 661-12.

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2. Calcutta Stock Exchange.

February 3, 1947.

The Calcutta Stock Exchange continued quiet but steady today and only limited business was put through. The following are today's final transactions up to 2 p. m. :—

Government Securities : Three Per Cent. Govern-

ment Paper Rs. 102-11, Three Per Cent. 1986 Rs. 102-3, Three Per Cent. 1970/75 Rs. 102-3. Three Per Cent. 1959 61 Rs. 102-14, Small Odd Lot Three Per cent. 1953/55 Rs. 103-4, Three Per Cent. Victory 1957 Rs. 102-6.

Banks: Bengal Central Bank Rs. 13-12, Calcutta National Bank Rs. 18-6, Hindusthan Mercantile Bank Rs. 46-8, Reserve Bank Rs. 114.

Cotton: Basanti Rs. 17, Cawnpore Textiles Rs. 11-11, ex-div.

Coals: Bengal Rs. 960, Samla Colliery Rs. 12-4. South Karanpura Rs. 43-7, East Indian Rs. 65.

Jutes: Champdany Rs. 367, Presidency Rs. 12-12, Union Rs. 742-8, Waverley Rs. 16 small lot.

Enineergings: Arthur Buttler Rs. 19-8, Burn and Co. 501-8, Jessop and Co. Rs. 32, Steel Produts Rs 7.

Miscellaneous: Burma Corpn. Rs. 6, Indian Copper Rs. 4-8, Bathgate Rs. 12-2, Benares Electric Rs. 14-6, Calcutta Electric Rs. 36-9. Bararee Coke Rs. 38, British India Corporation Rs. 10-12, F. and C. Osler Rs. 20-4, Indian Cables Rs. 53-12. ex-div. Hindusthan Building Rs. 17-2, Indian National Airways Defd. Rs. 11, National Tobacco Rs. 60-12, Rohtas Industry Ordy. Rs. 16-2, Bengal Paper Rs 275-8: Shree Gopal Pape Rs. 20.1, Humayan Properties Rs. 21-8.

Sugars: Cawnpore Rs. 45, Ramnuger Cane Rs. 28-12, Samastipore Rs. 21-2.

Teas: Bishnunath Rs. 60-12, Hansqua Rs. 27-12. Hasimara Rs. 127-8, Jutlibari Rs. 26-12, small lot Teen Ali Rs. 25-4. Teesta Valley Rs. 46-3, Tezpore Ordy. Rs. 31-4.

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3. Madras Stock Exchange

February 3, 1947

The following are today's quotations on the Madras Stock Exchange :—

Sugars and Breweries: Deccan Rs. 28-12, Do Rs. 68; India Sugar Rs. 22-12, Mysore Sugar Rs. 62.

Plantings: Cochin Malabar Rs. 12-6, Chembra Peaks Rs. 12-10, High Produce Rs. 37-12, Kalpettas Rs. 29-12, Malankara Rs. 6; Manalur Rs. 4-11, Ouchterlony Rs. 13-8, Rajagiri Rs. 8-8, Woodland Rs. 9.

Textiles- Bangalore Wool Rs. 611-8, P. and Co. Ordy. Rs. 430, Subrahmania Rs.134, Cambodia Rs. 37-14, Janardhan Rs. 166, Mettur Rs. 340, Madura C. D. Rs. 99, Palani Andavar Rs. 200, Radhakrishna Rs. 413-8, Vasantha Rs. 391.

Miscellaneous and Cement: Hind Trust Rs. 22, Industrial Roll Rs. 17-8, Mysore Lamps Rs. 22, Mysore Chem, and Fert. Rs. 17, Mettur Chem. Rs. 15-6; Do. Dfds- Rs. 5-1, Prithvi Rs. 15-8, Singareni Rs. 16, Spencer Rs. 15-2.

The Times of India.

Section B (Weekly Reports).

1. BOMBAY STOCKS AND SHARES.

6th February 1941.

Contrary to expectations, the speculators were in the forefront during the week's trading on the Stock Exchange. Reports regarding severe scarcity of steel and a sharp rise in prices of cloth and steel would appear to have pushed the fears of increased taxation to the background. Good buying support of speculative nature for

steel shares and textile scrips was noticeable throughout the week and prices recorded an all-round improvement. Since we reported last, Tata Deferreds have increased by nearly 50 points and Bombay Dyeings by 37 points. The Hydro Electric Group also did not escape the attention of the speculators. Andhra Valleys and Tata Powers recording a gain of Rs. 52½ and Rs. 15, respectively.

Speculative Activity Revived. Dealings in miscellaneous shares were rather restricted, but rates were steady in the absence of selling pressure. With operators' attention being divided between ordinary shares of Steels and Textiles, there was no marked activity either in bank shares or in fixed yield securities. The absence of investment support was far from satisfactory and the disparity between the rates for cash and forward dealings naturally widened. With budget uncertainties still looming large, the revival of strong speculative activity during the week under review has made the market more vulnerable.

Support for Steels Due to Rise in Prices of Tata Products. The steel section opened almost without any change, with Tata Deferreds and Ordinaries quoting Rs. 1,902½ and Rs. 370, respectively. But when prominent operators came out as buyers, sellers adopted a reserved attitude and prices began to move gradually upwards. On the 4th inst., Deferreds touched a high of Rs. 1,957½ at which level there was a fair amount of profit-taking which forced the rate to Rs. 1,940. Fresh support was again forthcoming when it was known that Tata Iron and Steel Co., Ltd., had raised the prices of products all round and enabled Deferreds to close firm at Rs. 1,947½. Ordinaries moved in sympathy with the leader of the section closing at Rs. 379, as against Rs. 370, at the end of the previous week.

Brisk Bull Support for Textile Shares. The satisfactory dividend announcement of the Brady Group Mills and encouraging reports from the piecegoods market prompted brisk bull support for textile shares. Bombay

Dyeings steadily went up from Rs. 1,070 to Rs. 1,107½ and Centuries from Rs. 371¼ to Rs. 383½. For the first time since the beginning of the new year, Kohinoors crossed the Rs. ·00 mark and closed at Rs. 407. New Greats: which were sticky around Rs 410 early in the week, spurted upto Rs. 416. Indian Bleachings were taken up by Rs. 6 to 120. In the cash section, Indore Malwas were better at Rs. 58 on reports that there will be a change in the management.

Bombay Telephones Well Held. Among public utilities, rumours regarding amalgamation of Hydro-Electric Companies and issue of bonus shares by Tata Powers continued to maintain the interest of speculators in Andhra Valleys and Tata Powers, the former advancing from Rs 1,702½ to Rs. 1,755 and the letter from Rs. 1,565 to Rs. 1.580. Tata Hydros, however, tended to be quiet, the last quotation revealing a loss of nearly 2 points. Bombay Trams and Bombay Telephones were well held at Rs. 132 and Rs. 88, respectively, while no interest was shown in Bombay Suburbans.

Miscellaneous Shares. In the miscellaneous section, Alcock Ashdowns were a shade better at Rs. 567½. Associated Cements, after being quiet at about Rs. 136¼, closed higher at Rs. 137¼ Belapurs experienced a fairly good demand just before the week to a close, the rate rising from Rs. 205 to Rs. 207½. The remarkble improvement in the results of Premier Constructions for the year 1940 and bright prospects for the Company attracted good attention, thereby enabling the closing price of Rs. 98 to show a gain of Rs. 3. Bombay Burmahs evinced a keen interest at the fag end of the week and recorded a satisfactory rise of Rs. 15 to Rs. 552½ Scindias were strong and registered a smart rise of Rs 1-10 to Rs. 21-15. Shivrajpurs, however, were quiet at Rs. 36¼.

The Commerece,

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2. CALCUTTA STOCK EXCHANGE

6th February, 1941.

The trend of the market on the Calcutta Stock Exchange suggests a return of confidence among investors, particularly in miscellaneous shares, including cotton, tea and engineering scrips. There ruled a steady tone in all sections of the market, but comparatively speaking jute and coal sections were not as active. The Giltedged also continued firm, but as in the bank shares, dealings, here were at practically unchanged prices. Railway shares, however, were in strong demand due to scarcity of scrips.

Jute Shares. As noted above, this section continued to remain steady without recording any perceptible improvement in prices. The speculative scrips suffered in fact fractional losses. Howrah, for instance, after having advanced to Rs. 50, closed at only Rs. 49¾, the week's lowest level.

Coal Shares. The volume of transaction in this section has fallen off appreciably during the week, but prices have ruled more or less steady. Bengal moved between Rs. 362 and Rs. 365 to close at the latter level. Raneegunje, after declining from Rs. 26-6 to Rs. 26, improved again to Rs. 26¼. Dhemo Main were the best feature of the section, having steadily risen to finish off at Rs. 15-2.

Miscellaneous. The main features of the week as noted at the outset, were the miscellaneous shares including cotton, tea and engineering shares. All cotton shares were in fair request, while there was no less keen a demand for tea shares. Among engineering shares, last week's favourites, namely, Arthur Butler and Indian Cables have receded noticeably due in the main to profit-taking. Indian Irons, though not closing at the highest, were better than at the opening but Steel Coporation improved steadily, though slowly over the week from Rs. 19 to Rs. 19-9. Dalmia Cement had a

number of deals at advancing levels and closed at their week's highest price of Rs. 11-14.

The Commerce.

3. MADRAS STOCK EXCHANCE

5th February 1941.

Fairly active conditions prevailed on the Madras Stock Exchange during the week under rport. Moderate business was reported in cotton mill shares at slightly higher levels. Planting issues, particularly tea shares, met with good buying support, but the turnover, though better than last week, continued to be restricted owing to absence of sellers. Among miscellaneous shares, Mysore Group, paper and engineering shares were active Mysore Sugars distinguishing themselves by staging a rise of 3 points to Rs. 47¾.

The Commerce.

4. LONDON STOCK EXCHANGE

6th February 1941

The market has once again exhibited a quieter trend for the week under review. The market opened fairly steady, but signs of easiness soon prevailed due to absence of buying interest. However, towards the close, better sentiments were visible and the closing of the market was much better than the opening.

Gilt-edged securities accounted for a moderate turnover. They eased slightly by mid-week but closed steady 2½ per cent. Consol has slightly moved up to £ 77½, Indian Loans more or less remain unchanged, 3½ per cent. India Stock 1931 is slightly lower at £96. However, 4 per cent., 1948-53 and 5 per cent. 1942-47 have been very steady at £ 105½ and £ 104½.

Home-Rails, after initial quietness have responded to higher levels. There has not been much of activity in

electric issues and brewery shares, and the prices remain more or less unchanged. Industrial issues met with some provincial liquidation.

In Iron and Coal shares, Dorman Longs ordinary are quoted at 22s. Steel Corporation of Bengal convertible debentures at 106s. and Thornycroft ordinary at 24s. 9d.

The Commerce.

5. BOMBAY STOCK EXCHANGE

6th April, 1944.

The Bombay Stock Exchange displayed quietly steady conditions during this week. The war news from our Eastern Front was doubtless exercising a predominant influence on the course of share prices this week. At the commencement of the week, the speech of the Commander-in-chief of India wherein he stated that there was no danger to Assam and that he was confident of dealing with the Japanese incursions heartened the operators to a great extent. Towards the second half of the week, however, the reports that the enemy was successful in cutting the Manipur road between Imphal and Kohima and that he was making strenuous efforts to push towards the rail-head at Dimapur, besides preparing for an attack on the Imphal plain, gave a quietus to the market. There was no fresh buying support and operators showed an inclination to await further developments. Despite these, there was not any sharp setback to prices. On the other hand, prices of most of the scrips exhibited a steady tendency towards close of the week. The technical position of the market is reported to be still quite healthy, and at every low levels support was forthcoming from bear operators. Again, it is understood the Government of India has privately warned the Exchange authorities against *Budla* operations conductded by some brokers. In consequence, the president of the Stock Exchange Association requested the operators not to indulge in *budla* operations which remains banned by

the Government of India. This speech of the President had a salutary effect on the market, and, as a result, many of the shorts showed some anxiety to cover their commitments. This exercised a considerable steadying effect on the prices of shares. During this week, the undertone in textile shares was slightly better than in steels, while the trend in bank and other miscellaneous shares was slightly downward. It may be mentioned here that the turnover in the market has been steadily shrinking in recent weeks.

Fluctuations in the textile scrip were greatly limited. Bombay Dyeings which closed at Rs. 2, 137-8 last week were marked down to Rs. 2,110 at one time this week, but finished better at Rs 2,122-8. Transactions in Centuries were of a restricted character, these shares closing at Rs. 1.015, as against Rs. 1,035 quoted a week ago. Kohinoors lost about five points this week to close at Rs. 680, although they declined at one time this week to Rs. 672. New Cities remained unchanged at Rs. 432-8 while Colabas and New Greats experienced narrow movements, such finishing the week at Rs. 230 and Rs. 406, respectively. Central Indias were steady at Rs. 436 as also Finlays and Gokaks at Rs 348 and Rs. 356. Khataus were neglected at Rs. 415 while Simplex and Swadishis were featureless at Rs. 260-8 and Rs. 605. India United Ordinaries and Deferreds remained quiet at Rs. 19-3 and Rs. 4-2 respectively, and Appolos were weak at Rs. 4-3-6.

In the engineering section, Tata ordinaries and Deferreds met with considerable selling pressure this week, owing to disquieting news from the Manipur frontier. These Shares declined one time this week to Rs. 398 and Rs. 2,065, but, as a result of short covering, they improved to Rs. 404 and Rs. 2,096-4, respectively. A week ago, they were quoted at Rs. 414 and Rs. 2'147-8 Alcock Ashdowns were also lower this week and were marked down from Rs. 625 to Rs. 617-8. Premier Constructions were done at Rs. 218, as against Rs. 220 a week ago, while McKenzies were dealt in at Rs. 173-12.

In the banking section also, buying interest was great dormant. Imperial Bank Fully Paids lost about Rs. 12-8 during the course of trading this week and were quoted at Rs. 1,920, while Partly Paid shares were done at Rs. 496-4, as against Rs. 503-2 last week. Bank of Barodas were unchanged at Rs. 139-8, and Bank of Indias were quiet at Rs. 181-8, as compared with Rs. 183 a week ago. Central Banks changed hands at Rs. 76-4 *ex-right* as against Rs. 94-12 *cum* right last week. Bank of Jaipurs and United Commercial Banks were featureless at Rs. 71 and Rs. 76, respectively.

Among the miscellaneous shares, Associated Cements recorded a slight recession from Rs. 226 to Rs. 224 this week. Bombay Steams were quiet at Rs. 665, as against Rs. 675 a week ago, and Scindia Steams were bought at Rs. 34-14, as compared with Rs. 34-8 last week. Shivrajpurs were weak at Rs. 68-8, as also Tata Chemicals at Rs. 30-8. Tata oils evinced little interest at Rs. 80-8, while Wimcos were steady at Rs. 327-8.

The Commerce.

6. AS IT APPEARS TO ME

(By "Jobber")

Bombay, April 17, 1941.

Bulls have been caught napping. Equities are now going down not because of pernicious activities of bears. There is no bear raid, for, short-selling is not allowed. prices are going down because of heavy and consistent bull liquidation. That liquidation is not yet over. And. so, the market may go down further in the event of untoward war developments.

Indeed, I'm not surprised that the market is going down. I'm rather surprised that it is not lower still. For, when bulls liquidate, who comes forward as buyers? Are these bulls who liquidated earlier replacing their sales? Not likely yet. Are investors, then, entering

the market?' Hardly likely. Well, perhaps, it would be discreet not to pursue this line of reasoning any further.

Bulls can't be blamed for panicking out of the market. Recent war developments fully justify their actions. Of course, development in the Balkans or in Africa are not going to decide the final issue. That will be decided by the outcome of the Battle of the Atlantic. But, this is too long a view for speculators.

As usual, bulls have failed to cash in time. Everybody anticipated that the war will be intensified after the end of the winter in Europe. Bulls knew that, too. But, they failed to grasp the significance of the Balkan situation. And, the war situation developed so suddenly against them that they had no time to get out of the market.

Bulls are like that. They're always optimistic. They're less alert than bears. That's why oftentimes they fail to cash in. In the major conflict that's now going on, temporary vicissitudes are bound to happen. And, unless bulls are more alert than they usually are, they're bound to suffer occasionally.

Basic Assumption.—I have not much faith in bulls. This is not an apologia for bulls. Nor am I holding a brief for them. And throughout this conflict, I've been impressed with the difference in mentality between operators over here and those, say, in Wall Street. In spite of the catastrophic fall in last May and June, belief has persisted in India that equities are destined to move up.

Operators in India, I'm inclined to the view, have completely ignored the altered financial and economic situation. Because prices moved up in the 1914-18 war, it has been assumed that equities will go on sky rocketting this time, too. Sufficient time has elapsed for bulls to appreciate the difference.

Nobody denies that war orders from India have been,

and will be, heavy. But, it would be fantastic to argue that war orders from India will be heavier than those from America. After all, bulls in India can't be so foolish as to ignore the fact that the Atlantic is now Britain's life line. And, yet Wall Street is not moving up!

Undeniably, war orders are a dependable bull factor. But, I'm increasingly gaining the impression that bulls are over-emphasising the influence of war orders, and, under-estimating the influence of factors like control of prices and government's determination to tax profits out of the war.

The Contrast.—Wall Street is fully aware of the implications of the lend-and-lease Act. Yet, it hasn't lost its head over it. Wall Street never boomed up because of the passage of lend-and-lease bill. That's why it has escaped the jitters that Indian stock exchanges are now experiencing because of temporary military reverses.

For, Wall Street has always known what markets in India seem occasionally to have ignored. Namely, that the authorities will tax profits out of the war. As yet, taxation in America has not reached the war level. But, soon it will, and, that's why Wall Street is hesitant.

Possible effects of enhanced taxation is not the only factor that operators in India seem to have ignored. In spite of indications to the contrary, operators over here have based their market operations on the assumpion that sooner or later, sooner rather than later, huge governmental disbursements must result in inflation.

Inflation Hedge—And, so they've relied upon the old theory that eqnities are a dependable hedge against inflation. There's nothing wrong with the theory. Equities are a hedge against inflation. But, has there been any inflation? Consider, first, the case in Britain. Inflation has not yet set in and Sir Kingsley Wood's latest budget proposals indicate that all efforts will be made to avoid inflation.

Operators are more hopeful about America. They're convinced that conditions being what they are in America, inflation cannot be avoided. Indeed, the behaviour of commodity markets in America suggests that they're rather hopeful. And, yet, be it noted, Wall Street is not so hopeful. And, I'd rather follow Wall Street than New York Cotton Exchange in these things

Coming nearer home, it is apparent that despite huge war orders, inspite of continued increase in notes in circulation, prices have not gone up, and are not like to run amok. And, yet, why should bulls continue to have faith in inflation, is something which is beyond me.

To recapitulate, there is reason to believe that both as regards repercussions of war orders and inflation, operators in India have been too optimistic. Wider realisation of the authorities' grim resolve to tax profits out of the war and to check inflationary tendencies will help the market to avoid occasional disappointment. Barring temporary setbacks due to fluctuating course of the war, equities may remain steady. But if market hopes are pitched at reasonable levels, it is likely to avoid subsequent pitfalls.

The Financial News.

7. FINANCIAL REVIEW

10th March, 1947.

One of the first effects of the announcement of the Budget tax proposals was panicky selling in the stock exchanges which quickly led to their closure until the full implications of the new imposts are clarified and made known. The markets were already sick under numerous bearish factors when Mr Liaquat Ali Khan presented the Budget. With Calcutta and Madras on minimum price basis and Bombay rapidly sliding down to a similar state of affairs, the new shocks were calculated to cause a breakdown.

The stock exchange authorities did well in suspending transactions and immediately sending delegations to New Delhi to explain to the Finance Minister the serious implications of his revolutionary taxes on investment. It was not a propagandist move on the part of the operators to stir up public opposition against the Government tax programme, but a necessary step to save the investors and the banks from financial ruin. Had the exchanges remained open, the bottom would have been knocked off the share prices and since banks have heavily advanced against shares at high prices, they would have been exposed to serious losses. Suspension of official trading prevented a rush for funds that follows incessant bear raids on the Stock Markets. During the past one week breathing time has been given to brokers and the rest and weak holders have been saved from the effects of forced liquidation. The statement of Pandit Nehru that constructive criticisms would be heard and changes introduced in the tax bills wherever found necessary has given some hope to the markets.

The consensus of opinion in banking and market circles support the view that the new tax proposals are not only untimely and too heavy but are worse than the E. P. T. The E. P. T. made due provision for capital, reserves and normal peace-time earnings of the company, and allowed a fair return on investment. The new taxes, on the other hand, do not show any such consideration to the *bona fide* requirements of business undertakings and penalize industrial units at a time when production tends to dwindle and wages and costs are on the upward move. It is also pointed out that since Sir A. Rowlands abolished the E. P. T. Indian companies have readjusted their finances to the needs of post war expansion. Fresh capital has been issued, and new commitments for industrial expansion entered into. The tightening of the tax screw with a vengeance at this stage, it is felt, would throw company finances into utter confusion. Analysis of the balance sheets of the companies would show that most of the companies, parti-

cularly those recently started, have not developed enough reserves yet and the tax proposals would neither allow them to develop adequate reserves nor distribute dividends to attract the investor. If business undertakings are thus financially weakened and fresh investment discouraged, production will slow down and unemployment will be on the increase—developments which the Interim Government could not have desired. There is a general expectation, however, that the Select Committee now examining the proposals will reduce the rigours of the imposts and make them tolerable to the industries.

One of the salutary effects of the Budget is the move on the part of the stock brokers in different centres to form an All-India Federation of Stock Exchanges to plan the healthy working of the exchanges even before the Government come down upon them with a big stock. The post-budget depression only reinforces the general urge for internal control of the markets before a national investment policy is enforced.

For the bullion market, the Central taxes appeal to have been a bullish point. Crippling taxes tend to divert funds for hoarding precious metals and the riots in the Punjab have also given an additional fillip to the longs on the bullion exchange. If the Budget threatened to knock off the bottoms of the share prices it has tried to lift the lid from the bullion cellings. Fortunately responsible sections in the bullion market are taking steps to prevent unbridled rise in prices. At the time of writing Silver Ready is quoted Rs. 162-12 and Forward Rs 162-4. Gold remains steady at Rs. 105 and Chamber Silver has flared up to Rs. 154-4.

—*The Hindustan Times.*

Section C (Annual Review)

STOCK EXCHANGES IN 1946.

"A year of big profits and heavy losses." That is how we would describe 1946 which is about to be rung

out as we write these lines. When the year began, no one had any idea that equities would spiral up to the heights that were witnessed in July and August. Nor could anyone have foreseen that the reverses suffered in the last quarter of the year would be more rapid than the rise itself. Viewed thus, the course of Stock Exchanges in 1946 proved that neither the pessimist, who forecast deflation, depression, and unemployment as inevitable sequels to the war, nor the optimist who believed that the sky was the only limit for equity values, was a wise prophet. Yet, in a way, either has reasons to feel satisfied that he was not altogether wrong. For, if the optimist can comfort himself, saying : "I was right, the postwar boom did come," the pessimist also can pat himself on his back saying : "after all, my expectations did not fail me. There was, of course, a boom, but with what result ?"

There have been few years in the recent history of the Stock Exchanges in India which provided such unique opportunities to make, as well as lose, money as did 1946. For the wise investor, it provided chances to cash in his investments with profits amounting, in some-cases, to veritable windfalls, but we wonder how many acted in time. taking advantage of the promptings that were made by us from time to time. Those who acted with promptitude and decision will no doubt remember with gratitude Sir Archibald Rowlands, the former Finance Member of the Government of India. For it was his dramatic action in the sphere of public finance, more than anything else, that led to equities and gilt-edged rising to undreamt of high levels. His vigorous drive to bring about cheaper money conditions, coupled with abolition of E. P. T. for which he was principally responsible, provided the main inspiration for the boom in the share and the gilt-edged markets.

"Every action will be followed by reaction. That is the age old rule of nature. Accordingly, it did not require a prophet to say, in the summer of 1946, that the boom which was based on artificial forces was bound to

there would seem to be fair ground for thinking that good industrial shares are just as likely to rise as Gilt-edged are to fall."

If we forget politics for a moment and consider the outlook for equities purely from the angle of the economic position of India and its industries, there is every reason to entertain a feeling of sober optimism. Although cost of production has risen very high and profit margins will be limited, there will, nevertheless, be considerable scope for the existing industries to pay a dividend which, at the present level of prices, will easily give a return of $4\frac{1}{2}$ to 5 per cent free of tax. Furthermore, the pressure of investible funds may be expected to assert itself, because the volume of such has not diminished to any appreciable extent, as witness the rising bank deposits and the heavy subscriptions for the Mysore loan and some of the new issues such as Jardine Henderson, Ltd. There is, therefore, scope for a general recovery in prices, provided there are no serious developments in the political sphere. But this does not mean that the hectic days of the first eight months of 1946 will repeat themselves. If the present Government at the Centre survives the crisis through which it is passing, as we hope it will, it will mean very restricted scope for speculators. We have enough evidence to believe that, this time, the Government intends to enforce sanity and moderation in the working of all the future markets. Even as we write these lines, an officer of the Government of India has been discussing with those concerned the question of regulating the Stock Exchanges. Then, again, the budget in the coming year may, in some respects, be in distinct contrast to that presented by Sir Archibald Rowlands. The stress made by the Vice-President of the Interim Government, Dr. Jawaharlal Nehru, in his address to the Annual General Meeting of the Associated Chambers of Commerce, that profit motive must yield place to equitable distribution, may well be the keynote of the next budget. To sum up, therefore, while a moderate rise in equity values is

highly probable, any spectacular advance in prices generally is most unlikely.

—*The Commerce.*

Section D (Extracts from Stock Exchange Reports).

1. In the absence of sellers of ***rupee rubbers, dollar scrips*** were active.

Rupee rubbers—Shares of rubber companies having their capital in rupees.

Dollar scripts—Shares of rubber companies having their capital in dollars.

2. ***There has been quite a pronounced buying enquiry and the leading counters all show signs of hardening.***

There has been a good demand, and the prices of all well-known shares are likely to rise.

3. ***Mill shares opened weak, but rates advanced sharply due to brisk bear overing, and closed firm.***

At the start the prices of mill shares tended to fall, but later they rose sharply owing to heavy purchases made by bears in order to cover their previous sales; and at the close they were firm.

4. ***Burra Dhemos after re-acting to*** Rs. 12-4, ***rallied to finish at*** Rs. 12-14.

The shares of the Burra Dhemo company first fell to Rs. 12-4, but at the close rose to Rs. 12-14.

5. Port Shippings improxed to Rs. 25-4 ***but shed some of the advance later.***

But........later—But afterwards the gain in price was partly lost.

6. ***Electric supply issues have been fairly active, Rawalpindi, Dacca and Patna being perhaps the most live counters.***

Many transactions have taken place in the shares of the Electric Supply Companies, and the shares of Rawalpindi, Dacca and Patna Companies have perhaps been price the most active.

7. Among *Engineering descriptions* the main feature was a further weakening in Indian Iron and Steels to Rs. 16-4 and a sharp decline in Bengal Irons to Rs. 12-8, *the latter in sypathy with a lower London Market.*

Engineering descriptions.—Shares of Engineering Companies.

In sympathy......market.—Because the price of latter shares was also lower on the London Stock Exchange.

8. On a rise in the price of lead to £ 25--10--0 per ton, *Burma Corporations became a strong enquiry*, the touching Rs. 12--8--0.

Burma......enquiry.—There was good demand for the shares of the Burma Corporation.

9. *There appears some possibility of most shor-tdated issues being marked down to yield 5 p. c. clear of tax. Exceptionally 3½% Paper continues in good investment demands small lots.*

It is possible that the prices of government securities, repayable after a short time, will fall so much as to give to the investor an income of 5% after taking income-tax into account. Contrary to this, however, the 3½% Paper has been demanded in small quantities by investors.

10. *The rise was much too rapid to be healthy and the setback last week confirms the opinion.*

The advance in price was so quick that it could not be stable, and therefore there was a fall last week.

11. In the week before *it was coals which were in the ascendant* and last week it was jutes ; confidence seems to have returned and *the marked has gone from strength*

to strength, though on Thursday last and again on Friday *a certain amount of profit-taking was in evidence.*

It was......ascendant.—The coal shares were rising in price.

The market......strength.-The price continued to rise

A certain......evidence.—Some persons, who had previously purchased securities, began to sell them in order to make profit.

12. As far as the chief speculative counters are concerned, *business has been rather brisk but mainly confined to jobbers' operations.*

Business.....operations.—-Many transactions have taken place between the dealers themselves and not with the public.

13. *Government securities have been a very depressed market* and naturaly so. It is surprising that prices did not give away to a greater extent then they did on the announcement of the increased bank rate, *This is probably due to the technical position of* $3\frac{1}{2}$% *paper which is heavily oversold.*

Government.......market.—The prices of Government securities have fallen considerably.

This is......oversold.—--That prices did not fall as much as they should have done in due to the fact that speculators have sold the $3\frac{1}{2}$%Paper for forward delivery in larger quantities than they have by now acquired, and they have therefore to make heavy purchased in order to cover themselves, thus arresting the natural decline.

14. Even *Bombay Deings* which had risen to Rs. $902\frac{1}{2}$ in expectation of a Rs. 50 dividend have since declined to Rs. $881\frac{3}{4}$, *now that this distribution has been confirmed.* This is only natural under present conditions, *as a buyer on margin is not excited with a distribution of about 6 p. c. on his money when he is paying his banker from 9 to 10 per cent. for accommodation.*

Bombay Dyeings.—Shares of the Bombay Dyeing Company.

Now that......confirmed—Although this dividend has now been sanctioned by the shareholders in general meeting.

As a buyer......accommodation.—Because a person, who is not keen to buy shares, cannot be persuaded to acquire themin view of the fact that he would be receiving therefrom an income of only 6% while he has to pay 9 or 10% on the monies borrowed by him from his banker.

15. ***The miscellaneous section has suffered most and particularly our old favourites, Tata Iron and Steel issues, the sports of the bears in times of adversity and the leader of any upward movement when the financial and labour barometers are set fair.***

The greatest fall has been in the prices of shares which are included in the miscellaneous section of the market, and particularly the shares of the Tata Iron and Steel Company. These Tatas suffer the heaviest decline in a falling market; and they also rise most when there is a general advance in prices brought about by easy money conditions and absence of labour troubles.

16. ***The present shake-out of weak accounts will give the new comer an excellent opportunity of buying cheap shares.***

The failure of weak bulls to hold on, and the consequent sale made by them have led to increased supply and lower prices of these shares. Therefore the new buyers will be able to acquire them at a cheap rate.

17. ***Steamer issues*** were relatively steady until the close when Bombay steams ***slumped*** to Rs. 216-14 and brought ***Scindhias*** down with them to Rs. 12-5.

Steamer Issues—Shares of Steamship Companies.

Slumped.—Fell in price.

Scindhias.—Shares of the Scindhia Steam Navigation Company.

18. New Indias were not affected by the general weakness and *the company must have netted a fair amount of profitable business* insuring against riot and civil commotion during the past fortnight.

New Indias.—Shares of the New India Insurance Company.

The company......business—The company must have secured a good deal of paying business. This has reference to the Bombay riots.

19. *Prior to the rot which set in the market on Thursday*, manganese issues had been the weakest section but they have maintained their rates.

Prior......Thursday.—Before the general depression in prices which began on Thursday.

20. Jutes have been an *irregular market* and with the public for the most part still *sitting out and looking on*, transactions have been confined largely to *inter-bazar dealings*; towards to close however a little more *investment inquiry* has been noticeable and prices all round on Tuesday were appreciably firmer.

Irregular market.—Prices rising or falling in quick succession.

Sitting out and looking on.—Keeping out of the market and not purchasing, but waiting for a fall in prices.

Inter bazar dealings.-Transactions between the dealers on the stock exchange and not with the investors.

Investment inquiry.—Demand from investors.

21. *Anything at all stand-out has been placed without difficulty at full rates*; the trouble however is to find scrip of this nature.

Anything......rates.—First class securities have been easily sold at good prices.

22. *This market was absolutely bombarded with selling orders "at best."*

In this section there were many sellers who wanted to dispose of their holdings at any prices which could be obtained.

23. There is still an *under-current of inquiry* for first class stocks, but little scrip is available.

Under-current of inquiry—Some possible demand.

24. On the whole *the prevailing market sentiment last week was to bearish*, and *there has been little encouragement to bull operators*, *public interest* being conspicuous by its absence.

The prevailing......bearish—The general tendency of the market was towards low prices.

There has......operators—The bulls have been disappointed by falling prices, because they cannot sell their holdings at a protfi.

Public interest.—Public demand.

25. With the lower level now obtaining for all government securities, *buyers have naturally not found sellers' ideas of prices of Port Trust and other loans coincide with their ideas of values.*

Buyers......values—The buyers think that the prices of Port Trust and other loans demanded by the sellers are too high.

26. *These shares seems an attractive speculation at the current level.*

It appears to be profitable to buy these shares at the present prices.

27. Temporarily the fall appears to have been arrest-

ed, but we believe that ***long dated securities*** will be on offer for some time. Naturally business is difficult to put through in a market, ***which expresses nothing but bearish sentiment*** and with the present money market stringency.

Long-dated securities.—Government loans repayable after a long period.

Which....sentiment.—Where the current idea is that prices would fall.

28. ***An optimistic feeling is in evidence in the Bazar, and it appears that the top level of prices has not yet been reached.***

The market thinks that prices would rise further and therefore the present prices are not the highest.

29. ***Among industrials conditions are quiet and there have been few bright spots.***

There has been practically o nbusiness in the shares of industrial companies, and consequently there are hardly one or two shares which show any appreciation in value.

30. The easier money conditions reported last week have continued ***and this has had a stimulating effect on investment stocks.***

And this......stock.—And this fact led to a rise in the price of investment securities.

31. There has been very little ***outside support*** for jute shares and ***market operators*** have shown no keenness to deal.

Outside support.—Public demand.

Market operators.—Dealers on the stock exchange.

32. ***On the other hand there is no tendency to press sales, holders being content to sit out and await events in view of the sound statistical position.*** (*Tea*)

On the other hand there have been no forced sales of tea shares. The holders thereof have not shown an anxiety to sell, but rather they are waiting for better prices which are expected owing to the favourable statistical position of the tea commodity.

33. Shares are now standing at decidedly *attractive levels* and purchases at current rates should show satisfactory *capital appreciation* within a reasonable period.

Attractive levels.—Prices favourable to buyers.

Capital appreciation.—Rise in values.

34. Business in *gilt-edged descriptions* has been considerably handicapped by lack of buyers.

Gilt-edged descriptions.—Government securities.

Handicapped.—Restricted.

35. *The undertone remains healthily optimistic*, but there may be further profit-taking *before quotations register any further improvement.*

The undertone.........optimistic.—The future tendency of prices appears to be in favour of sellers.

Before......improvement—Before prices show any rise.

36. *Mill shares were steady to firm on bear covering.*

Shares of mill companies were rising because bears were purchasing them in order to provide cover for their previous sales.

37. *The prospect of a general strike in the Lancashire mills was another bull factor.*

Another reason why prices may rise is the possibility of a general strike in Lancashire mills. This exract has reference to the shares of Indian cottont mills.

38. *Despite the dullness with overhangs the physical rubber market, shares may be reported steady.*

Although the condition of the rubber commodity market is dull, yet the shares of rubber companies are not showing any tendency to fall.

39. *The obvious steadiness in this share seems to be due to an uncovered bear account.*

Why the price of these shares is not falling is accouuted for by the fact that these shares have been sold by bears who have not covered themselves by purchasing enough of them, and therefore they have to acquire them now, thus preventing any fall in values for some time.

40. *This section of the market has for the most part presented a neglected appearance.*

There has been Prrctically no business done in these shares.

41. The following shares appear to have *look up possibilities.*

Look-up possibilities.—Possibilities of a rise in prices

42. *Banglore Banks came in for enquiry at about par.*

The shares of the Banglore Bank were demanded at par.

43. This section has, *after a spell of activity*, been dull. Madura Mills (Rs. 100) weakened and were easier at Rs. 380; there are now no buyers above Rs. 370. Kaiser-i-Hind (Rs. 10) sjumped still further to about Rs. 3¾ with no buyers.

After......activity.—After a period of active business.

44. *The sellers were somewhat reserved at the close.*

The sellers were rather reluctant to sell, because they expected the prices would rise.

45. *The market closed on an easier tone with buyers looking on.*

The market closed with a tendency to lower prices, because the buyers had adopted a waiting attitude.

46. *Home Railways appear idle and uninteresting with a sagging tendency. Two or three jobbers have we learn recently deserted this market being lured away by the superior attraction of Kaffirs.*

Home......tendency.—There was not much business done in the shares of the British Railways. which were therefore tending to fall in values.

Two......Kaffirs—Two or three jobbers on the London Stock Exchange have left the Home Railway market and gone over to the South African market (or Kaffir circus), because the latter offers them better opportunities of doing business. The term "Kaffirs" stands for the shares of the South African Mining Companies.

47. More business would have been completed *had seller's and buyer's ideas of rates more closely coincided.*

Had......coincided—If there had not been much difference between the prices demanded by the sellers and those which the buyers were prepared to pay.

48. Cheviots are higher at Rs. 331 while Aukland and Bally *have both gained ground at* Rs. 320 and Rs. 321 respectively.

Have......at—Have both risen to.

49. *Any improvement in the commodtiy market should therefore be quickly reflected in share values.*

Any rise in the commodity prices should also raise the prices of shares.

50. *Electric supply issues have been a centre of dealings*, with Jubbulpore commanding Rs. 13, Patna Rs. 17, Rawalpindi Rs. 19, Cuttack 6 annas premium and Shahjahanpur Re. 1 premium.

Electric......dealings—Many transactions have taken place in the shares of Electric Supply Companies

51. At the finish most shares are on offer at the slightly higher prices touched. Exceptionally Howrahs have given way from Rs. 57–14 to Rs. 57–4, ***but this is partly attributed to a fresh release of share scrip from investment account.***

But this......account—But this is partly due to the fact that certain investors have sold their holdings of these shares.

52. ***Railway shares were idle, a deal in Hoshiarpur-Doab at Rs. 83–8 being the only marking.***

There was no business in Railway shares except one transaction in the shares of the Hoshiarpur-Doab Railway at Rs. 83-8-0.

53. Most of the buying during the past fortnight has probably been on ***averaging account.***

Averaging account—The holder of a security, of which the market price has fallen, may lessen his loss by purchasing more of the same security, and thus decrease his ***average*** cost price.

CHAPTER 6.

STOCK AND SHARE MARKET EXERCISES.

1.

Cotton Mill Shares—*Speculative counters in the textile section* suffered a moderate fall, the loss *over the week* ranging between 7 and 36 points. In the case of semi-speculative scrips like Finlays, Morarjis, Simplex, Swadeshis and Swan, *the decline in prices was limited to 3 to 6 points.* Bombay Dyeings declined by Rs. 36-12 to Rs. 1,088-12, Centuries by Rs. 23-8 to Rs. 412, Kohinoors by Rs. 13 to Rs. 423, and Gokaks and Central Indias by Rs. 7-8 and Rs 9 to Rs 215-8 and Rs 315-8 respectively. Among the *highly-priced shares*, with the exception of a drop of 30 points in Indian Manufacturings and of 5 points in Vishnus, the rest remained fully steady.

Miscellaneous Shares—In the miscellaneous section, *Associated Cements were devoid of support*, the rate gradually declining from Rs. 143-4 to Rs. 140-8. *Bombay Burmahs suffered a setback of over 22 points and finished at* Rs. 531-4. Belapurs *were a quiet spot* at Rs. 212-8. Scindhia Steams, however, were steady at Rs. 20-5. Premier Constructions lost 2 points to close Rs. 88-4. *Shivrajpurs were neglected*, while Western Indian Matches were wanted at Rs. 204 at which level it was difficult to find sellers. The turnover on the whole was very restricted.

1. Explain the parts in italics.

2. What is the difference between investment, speculative and semi-speculative scrips ?

2.

Trading on the Calcutta Stock Exchange *was necessarily hesitant on the eve of the Central Budget* but there after also, strangely enough, *the market reactions to the Budget* did not appear, till the close of the week, clearly to manifest themselves despite the lenient proposals of the Finance Member, making rather for stimulating than for retarding the country's industrial effort and consequently holding out better prospects for investors in the different industries.

Despite the continuance of the surcharge on coal, coal shares alone fared well during the week under review. As in previous weeks *interest in gilt-edged and bank shares was still dormant*, while even jute shares were rather uninteresting. *Only subdued interest was being shown in cotton and tea shares.* while the engineer ing shares were again quiet. Among other miscellaneous shares, *Dunlop Rubber alone showed any reaction*, probably due to the excise duty on tyres. Thus, after having risen steadily from Rs. 39—12 to Rs. 40—6 until the Budget announcement, these shares declined again to Rs. 39-12-*Paper shares too tended to decline*, especially Titaghur Ordinary shares. *Electric scrips however, ruled steady on unabated demand right through the week.*

1. Explain the italicised expressions.

2. What is a Budget and how does it affect the markets ?

3.

Rewrite in your own words the following extracts from daily share market reports which appeared from time to time in the *Statesman* :—

(*a*) The Bombay Stock Exchange opened quite steady today, but later drifted downward on renewed selling. The local riot situation also unnerved the operators and

in consequence prices sagged, imparting a weak tone to the market—25th April 1941.

(*b*) Slightly better feeling was in evidence on the Calcutta Stock Exchange today on renewed buying support. Jutes, coals, teas, cottons, and government securities met with slight enquiry and prices improved a little from their recent setback. Speculative engineering shares and popular miscellaneous indusrials were a shade steadier on fair buying—25th April 1941.

(*c*) The Bombay Stock Exchange opened steady on improved demand and the market recorded moderate gains. At higher levels there was some profit-taking but it was all absorbed. The undertone of the market was good and the market inclined to be steadier—20th March 1941.

(*d*) On the London Stock Exchange the New Year commenced in a cheerful fashion and some sections showed signs of expansion of interest. Gilt-edged were firm and $3\frac{1}{2}$% war loan reached the wartime peak at £103. Indian stocks were also bought owing to their favourable yields Among Home industrials breweries were higher but textiles moved against holders. Oils were firm under the lead of Shell Transport—2nd January 1941.

(*e*) On the Calcutta Stock Exchange a very firm market for government securities was observed today and substantial business was done. Indian Iron and Steels and other speculative issues showed much improvement over yesterday's prices on fresh buying support—16th July 1940.

4.

Calcutta, 29th April 1938.

The jute section has again been subjected to considerable selling. The publication of the report of the Anglo-India Jute Mills Company for the half-year ended March 1938 and the reports about the dividend of twelve annas per ordinary share of the Howrah Mills Company have had ***a disconraging effect.*** The commodity

markets also have continued weak. The lowest level touched by Howrahs was Rs. 38-2. *At the lower levels there has been some bear covering* and the tenndecy during the course of today has been more cheerful. Howrahs have recovered to Rs 40-4, *This recovery in prices, however cannot be trusted as with the outlook so gloomy it is impossible to anticipate reasonably the trend of prices of in the immediate future.*

In the engineering section *there has been a definitely improving tendency in evidence.* Indian Irons were for the most part fluctuating around Rs. 28. But during the course of the past two days there has been a rise of more than one point. *There is considerable speculation about the final dividend for 1937-38 even at the present moment.*

1. Explain the italicised parts.

2. What is a company report and how does it affect the share values ?

5.

Bombay, 6th. February 1941.

The local share market remained closed on Monday owing to the death of a member. *The market was cheerful at the opening on Tuesday and prices recorded substantial gains* Renewed buying coupled with the absence of selling pressure *gave an impetus to the market* and the rise in prices was maintained on Wednesday. Towards the close of the week, however, *the market developed a sagging tendency owing to some profit-taking* and there was a decline in prices. Regarding the Budget opinion is divided in the market. In spite of the fears regarding the forthcoming Budget, *the market kept a cheerful appearance and the undertone remained healthy.*

Textiles.—Leading mill shares *showed some strength* and prices improved in general following the reports that

most of the companies are making and good money due to Government as well as export orders.

Hydro-electrics.—*This section continued to meet with good investment demand,* Andhra Valley being done higher at Rs. 1,760. Tata power *were marked up* at Rs. 1,577-8, showing a rise of about 16 points over the previous week's close. Tata Hydro were slightly better at Rs. 179-8.

Steels.—*Steel shares provided the feature of the week.* In spite of *lower Wall Street advices,* Tata ordinaries, after opening at Rs. 377 and the deferreds at Rs. 1,942-8, advanced to Rs. 379 and Rs. 1,955 in mid-week respectively. At a later stage, however, prices were inclined to be somewhat easier owing to profit taking.

1. Rewrite in your own words the italicised expressions.

2. Say what you know about the Wall Street.

6

Explain in your own words the meaning of the following market pointer :—

(*a*) Government securities are a shade easier ; (*b*) Inspite of lower gilts, bank and insurance shares are steady; (*c*) As result of lower gilts, bank and insurance shares are lower ; (*d*) The inquiry for investment shares has temporarily subsided; (*e*) Power shares are being talked up ; (*f*) The improvement in Kohinoors is being maintained ; (*g*) Utilities and electrics are firm; (*h*) The decline Tata Steel shares in mainly due to bull liquidation: (*i*) There is selling pressure in A. C. C.'s; (*j*) Belapurs are quietly steady ; (*k*) There is spasmodic enquiry in Dyeing ; (*l*) There is investment enquiry for Indian Coppers.

7

London, 12th March 1938.

"*Slump—Recovery Reaction*" sums up the last few days on the London Stock Exchange. All the time *under*

the influence of European politics markets suffered the worst setback for many years on Wednesday and Thursday last, *showed a natural technical recovery on Friday*, went better on Monday and Tuesday, and again fell Yesterday on receipt of further discouraging news from Central Europe.

While there is much uncertainty *no definite trend can be expected.* It would seem, however, *that investors are taking a saner view. Turnover is showing signs of expension. As yet, however, good industrial profit figures have little effect.*

Gilt-edged, *although closing below the best*, have recovered substantially. *Home rails turned dull on poor traffic returns.* Foreign rails are idle. Industrials have mostly held their improvement from the low levels touched last Wednesday. *Iron and steel shares have been helped by some good profit figures*, although *on balance* prices are not much better. Motors and aircraft have been more active, but prices are still very much below recent levels. *Breweries have eased off.*

1. Explain the portions in italics.

2. How do profit figures affect the share market ?

8

Difinitely quieter conditions prevailed during the week under review. *The recession in prices that began during the last days of the previous week became more accentuated as time passed.* Nervous and panicky selling was witnessed in all sections of the market and yesterday *it seemed difficult to execute selling orders* as either the market was devoid of buyers or the rate offered was substantially lower than the prevailling rate in the market. Irons were marked down to Rs. 41 while Steel Corporations were done as low as Rs. 21-12. Howrahs, at one time, were nominally quoted at Rs. 61. *All high priced*

Jute shares have lost Rs. 20 *to* Rs. 30 *per share from their recent high levels. Except for first class* there were no buyers for low priced shares. *Cottons and Teas were left in the doledrums* and only a little business passed in Sugars and the miscellaneous section.

The sudden drop in Tata deferreds in Bombay, the continuous easier trend in the New York Market, *the uncertain behaviour of the Jute and Hessian Markets the damping budget*, and above all the *paucity of the liquid funds*, go to account for the nervousness and the easier tendency visible in the Calcutta Stock Exchange.

The strength of gilt-edge continued unabated and the improvement set in last week was carried further during the week under review and *high levels since the ontbreak of war were recorded.*

1. Explain the italicised expressions.

2. What factors were responsible for the nervousness visible in the stock exchange ?

9.

The shareholders of the Premier Oil Company of India have, we presume, long since given up all hopes of deriving any advantage whatsoever from their investments in this ill-fated concern. It was one of the *wild cat schemes* of the Boulton Brothers, and any possibility of success that it might have possessed in its initial form *was stultified* by the method this firm of London financiers usually employed by which one company borrowed from another, or by which one company invested in the shares of another *so that when the slump came the feeble fabric, all the component parts relying upon each other for a stability not one of them possessed, came crashing to the ground.* But although the shareholders have, as we suggest, long ceased to entertain *any hope of recompense*, the report now issued by the Directors gives one the idea at the first glance that the position is one of

increasing hopefulness. *The first page of the report is redolent with glowing items of an anticipatory nature* ; more than three lakhs and a half gained by the sale of the Company's investments in the British Ceylone Corporation ; the profitable sale of the company's land at Sijbera ; the gratifying disposal of two jute mill sites on the river Hooghly ; the less gratifying sale of the company's oil machinery at Oyaria, and so forth. *But on the second page of the report the shareholders receive their quietus,*—they are to receive no return upon the capital they have invested !

1. Explain the italicised portions of this passage.

2. In what ways does the position of the Company appear to be satisfactory ?

10

You produce a list of ten *selected investment* and you ask us to express an opinion upon *their investment value. We do so with pleasure and with alacrity.* The ordinary shares of Indian Iron and Steel Company *are good for a rise in about eighteen month's time*, but there is no immediate advantage to be derived from an immediate purchase. Central Cacher tea shares *would probably appreciate in an active market*, but where is the active market ? There is no demand whatsoever for Dehra Dun tea shares and *the last quoted price is too high.* Eastern Cacher teas *would by no means be a bad buy at current rates.* The Company produces a well-known brand of tea and is doing well. *Under the managing agency of Octavius Steel and Company the garden is in good hands.* The Marine Coal Company, in the agency of Messrs. Jardine Skinner and Company, is doing fairly well, but the productive capacity of the colliery is too small for great achievements. *The Mento Coal Company one of the Yule group, is a speculative proposition of dubious prospects* : but the shares are cheap to those *who don't mind holding a baby ofuncertain attributes.* The shares of the Singareni Colliery, a

8

Deccan undertaking, *are not dealt with on the Calcutta Stock Exchange. It is a steady but small dividend payer,* and as the shares stand slightly below par they ars perhaps attractive. Messrs. Huson, Tod & Company, Stock and Share Brokers of Madras, would be pleased to advise you as regards a share purchase. The shares of the East Indian Coal Company *are fully pricea at today's rate* and *it must not be overlooked that the dividend reaches share-holders less British income tax.* Steel products, Limited, *is a speculative adventure.* British India Corporation shares are pleasant things to handle at present prices in view of the improving conditions now prevailing in the cotton textile trade.

1. Rewrite in your own words the italicised phrases.

2. Put the above information in tabular form.

3. Assuming yourself to be a stock and share broker. write a letter to a client offering your advice on five securities named by him.

11.

1st July 1937.

Almost for the first time since *the debacle of April last*, the share markets *have shown signs of vitality. The popular counters are slowly throwing off the effects of the severe doping* to which they had been subject. Tata Defds have shot up in a few days to Rs. 1,600. *Textiles in Bombay are reported to be going strong.* Indian Irons, *which not long ago kept glued to under Rs. 40*, have risen to Rs. 44-10-0; and the slight set back which occurred during the course of the day has been made up at the time of writing. Burma Corporations, of which most people despaired not long ago, are quoting in the vicinity of Rs. 12. Indian Coppers have improved to Rs. 3-4. And above all, *the gloom which pervaded the exchanges and oppressed operators and investors alike shows signs of lifting.*

1. Explain the italicised portions.

2. What factors affect the prices of stock exchange securities ?

12.

Indian Irons have soared to heights, which I dared not predict in most optimistic or audacious moments. But I cannot help reflecting that *those who scoffed at* Rs. 60 have stayed to pray at much higher levels. There are, doubtless, many who seem to be full of hope *that even more giddy heights will be reached. The motive power of the rise is derived from the general outlook of iron and steel.* I have seen appeals to the public in a foreign newspaper *to conserve scrap* and thus serve the nation. *Gold, it would seem, was not conserved with half the care that iron is today.* With successive reports of orders at increasingly higher prices, *Indian Irons have gone from strength to strength.* The shares are now quoting Rs. 72-4 ; *and buyers are not scared !*

1. Explain the parts in italics.

2. What is the special significance of Indian Irons ?

CHAPTER 7.

MONEY AND EXCHANGE MARKET TERMS.

The Money Market in India.

The Industrial Revolution of the last quarter of the eighteenth century has changed the characteristic features of commerce, industry, and banking. The principle of 'division of labour' is applied not only in trade, but also in the processes of manufactures; and under scientific management we have what is called "functional foremanship." On the one hand, we have the minutest division of labour, and, on the other, by means of exchange all these activities are co-ordinated and made to produce homogeneous results. Production has spread over a large area; a great gulf is created between the producer and the consumer; huge capital is necessitated in promoting a concern, and intelligence, venture and organising capacity of the higher are brought into play. The markets have become of international character, especially in staple products and gilt-edged securites, and a large army of intermediaries and middlemen is employed in bringing the producer and the consumer together.

All this needs credit. Modern commerce, so to say, is built upon the credit superstructure. The manufacturer accommodates the wholesaler, the wholesaler the retailer and the retailer the ultimate consumer. The task is facilitated by drawing bills or hundis and discounting them with banks, thus getting ready money on payment of the market-rate of interest. It is here that we need a well organised money market. This institution has always stood in a great stead in the economic history of the

world, but at the present day its machinery and technique have become too complex to the ordinary reader and its services indispensable to modern commerce.

The money market of a country refers to the various institutions and parties lending and borrowing money for short periods—usually not more than twelve months. In the money market, like other markets, there is competition between the borrowers on the one hand and the lenders on the other, and the commodity dealt in is money. The borrowers may be described as the purchasers, and the lenders as the sellers of ***the use of money***. The price at which this use sells is ***the rate of interest***. The floating or loanable funds of the money market, *i. e.* money seeking short period investment are derived from the various commercial banks, who in their turn obtain them from the public in the form of deposits. The demand for money comes mainly from industry and trade and also from Government who constantly borrow to finance their operations.

The rate of interest or the price of the use of money is governed by the demand for and the supply of liquids funds seeking investment. A larger supply relatively to demand at any particular time brings the rate down, and a smaller supply relatively to demand pushes it up. When the rate of interest is higher than usual the money market is said to be ***tight*** and the money to be ***dear***. But when this rate is lower than usual the money market is said to be ***easy*** and the money ***cheap***. It may be noted here that a rise or fall in the rate of interest for loans must cause a corresponding rise or fall in deposit rates that is, the rates paid by banks on deposits, especially fixed deposits, as current deposits as a rule carry no interest. The following are the various rates for money which prevail in the market :—

The Bank Rate is the minimum rate which is fixed from time to time by the Reserve Bank of India, at which it ordinarily advances money against government securities or rediscounts first-class three months' bills.

The Discount Rate is the rate of interest charged by banks for discounting bills of exchange. *The Hundi Rate* is the rate charged by indigenous bankers for discounting hundis of traders. Both the discount rate and the hundi rate are usually higher than the Bank Rate.

The Loan Rate is charged by banks for granting loans for shorter periods.

The Call Rate is charged on loans which are repayable at call or short notice. It is always the lowest because such loans afford the lenders the greatest security as well as ease of getting back the money whenever required.

The Deposit Rates are rates of interest allowed by banks on fixed deposits lodged with them for various periods. They are usually lower than the discount rate, the difference being banker's profit.

Constituents of Money Market. The money market in India includes the Reserve Bank of India, the Imperial Bank of India. the foreign exchange banks, the joint stock bank on European lines, and the indigenous bankers, known by different names such as shrofts, sahukars, mahajans, chetties, marwaris, etc,

1. The Reserve Bank of India.—The Reserve Bank of India Act received the assent of the Governor General on 6th March, 1934, after its passage through the Legislative Assembly and the Conncil of State. The Bank commenced its business from 1st April, 1935, on which date it took over the management of the Currency Department of the Government of India by creating a special department known as the *Issue Department.* From 1st July, 1935, the Banking Department was opened and the scheduled banks deposited the required percentage of their demand and time liabilities. The Clearing House was transferred from the Imperial Bank to the Reserve Bank as from this date. The Bank Rate is now fixed by the Reserve Bank of India.

The Reserve Bank is established to co-ordinate credit,

currency and exchange. It has the exclusive right to issue notes. Neither the Government of India nor any other bank can issue notes. The Reserves of the Government in the Paper Currency Department and the Gold Exchange Standard are transferred to the Bank. The Governor-General in Conncil has transferred to the Bank Rupee Securities of the value of five crores allocated by the Bank to *Reserve Fund* in the Banking Department.

The Bank shall act as Agent for the Secretary of State in Council, the Governor-General in Council or any Local Government or State in India for the following kinds of business :—

(*a*) the purchase and sale of gold or silver ;

(*b*) the purchase, sale, transfer and custody of bills of exchange, securities or shares in any company:

(*c*) the collection of proceeds, whether principal, interest, or dividends, of any securities or shares:

(*d*) The remittance of such proceeds, at the risk of the principal, by bills of exchange payable either in India or elsewhere :

(*e*) the management of public debt.

Obligation to sell or buy sterling—The Bank shall sell to or buy from any person who makes a demand in that behalf at its office sterling for immediate delivery in London at a rate not lower than Is. 5-49/64*d*. and not higher than Is. 6-3/16 respectively : provided that no person shall be entitled to demand to buy or sell an amount of sterling less than ten thousand pounds.

Every scheduled bank shall maintain with the Reserve Bank a balance of not less than 5 per cent. of their demand and 2 per cent of their time liabilities.

Business which the Bank may transact—The Bank shall be authorised to carry on and transact the following commercial business, viz :—The accepting of money on

deposit without interest ; the purchase, sale and rediscount of bills of exchange and promissory notes with certain restrictions ; the making of loans and advances, repayable on demand but not exceeding 90 days, against the security of stocks, funds and securities (other than immovable property) against gold coin of bullion or documents of title to the same and such bills of exchange and promissory notes as are eligible for purchase or rediscount by the bank ; the purchase from and sale to scheduled Banks of sterling in amounts of not less than the equivalent of Rs 1 lacks ; the making of advances to the Governor-General in Council and to Local Government repayable in each case not later than three months from the date of making the advance ; the purchase and sale of Government securities of the United kingdom maturing within ten years from the date of purchase; the purchase and sale af securities of the Government of India or of a Local Government of any maturity or of a local authority in British India or of certain States in India which may be specified.

Management—The general superintendence and direction of the affairs and business of the Bank is entrusted to a central Board of Directors composed of a Governor and two deputy Governors appointed by the Governor-General in Council after consideration of the recommendations made by the Board in that behalf; four directors nominated by the Governor-General in Council ; eight Directors elected by the shareholders ; and one government official nominated by the Governor General in Council.

Allocation of surplus—After making the necessary and usual provisions out of profits, a cumulative dividend at such rate not excheding five per cent. per annum on the share capital as the Governor-General in Council may fix at the time of issue of the the shares shall be paid and the surplus shall be allocated to the payment of an additional dividend to the shareholders calculated on the scales prescribed in the Act and the balance of the surplus shall be paid to the Governor-General in Council.

Publication of the Bank Rate—The bank publishes from time to time the standard rate at which it is prepa-

red to buy or re-discount bills of exchange or other commercial paper eligible for purchase under the Act.

The Bank shall create an Agricultural Credit Department.

The Bank publishes the accounts of both the Issue and Banking Departments weekly in the Gazette of India.

2. The Imperial Bank of India—The Imperial Bank of India was formed in January 1921 by amalgamating the Presidency Banks of Bengal, Bombay, and Madras, and is governed by a Special Act of Legislature, called the Imperial Bank of India Act, No. XLVII of 1920. Before the establishment of the Reserve Bank of India it used to be a semi-government institution. It kept Government balances and managed the public Debt. Under the Paper Currency Act it was empowered to borrow from the Paper Currency Reserve upto twelve crores of rupees against inland commercial bills.

Certain restrictions were imposed on the powers of the Bank to deal in foreign exchange or to borrow money outside India.

With the transfer of the purely central banking functions to the Reserve Bank of India, it was recognised that the Imperial Bank should be freed from some of the restrictions imposed upon it under the Act of 1920,

An amending Act, called the Imperial Bank of India (Amendment) Act was passed in 1934 to bring about certain changes necessitated by the establishment of the Reserve Bank of India. it modifies the control of the Governor-General in Council over the management of the Bank, removes certain restrictions on the transaction of business by the Bank, and pr vides for an agreement between the Bank and the Reserve Bank of India. The Bank can now open branches outside India, in London and elsewhere, and can transact exchange business. The Act authorises the Bank to enter into an agreement with the Reserve Bank of India to conduct Government

business as agent of the Reserve Bank. The number of Directors to be nominated by the Governor General in Council is reduced from four to two. The right of the Governor-General in Council to appoint the Controller of the Currency to be a Member of the Central Board is removed. The Governor-General in Council must nominate an officer of Government to attend the meetings of the Central Board and to take part in its deliberations. but without any right to vote.

The Imperial Bank is the biggest joint stock bank in the country, having about 164 branches in all the important towns and trade centres of India. Though not a Central Bank, it is still the Principal constituent of the money market. There is no Indian Exchange Bank at present. Since restrictions on foreign exchange business have been relaxed, this side of business the Imperial Bank must find profitable.

3. **The Exchange Banks.**—These are branches of foreign banks, whose head offices are in England. the Continent, Japan or the U. S. A. The principal exchange banks in India are :—P. &. O. Banking Corporation, Ltd. National Bank of India, Mercantile Bank of India, Ltd.; Chartered Bank of India, Australia and China, Ltd.; Hongkong and Shanghai Banking Corporation, Ltd.; Eastern Bank, Ltd.; Comptoir National D'Escompte de Paris ; Netherlands Trading Society ; Netherlands India Commercial Bank ; Yokohama Specie Bank, Ltd.; National City Bank of New York ; International Banking Corporation ; Lloyds Bank, Ltd. The last named is one of the English "Big Five" which has entered the banking field in India.

These banks conduct the ordinary banks business, but their main attention is confined to the financing of the foreign trade of this country. They purchase and discount export bills of exchange and undertake the collection of import bills on maturity. The export bills purchased or discounted in India are usually rediscounted in the London money market in order to replenish their

resources. But the recently started practice of Government purchase of sterling in India (in place of the Secretary of State for India selling council bills in London) for the purpose of putting the Secretary of State in funds enables the exchange banks to a certain extent to obtain funds in India itself without having recourse to the London money market. It is, however, advantageous to rediscount the export bills in London where the rate of interest is generally lower. The money required to purchase export bills is thus obtained by means of sale of sterling to Government or to importers or others who have to remit money to England, by collection of import bills on maturity and by the importation of gold, silver, bullion and sovereigns.

4. **Indian Joint Stock Banks**—These banks are run on European lines and their management is mostly in the hands of Indians. Most of them are small institutions and the management of many unfortunately leaves much to be desired. Their main function is to finance the internal trade of the country. Their resources however are not adequate to be of any great help to the money market. The bank failures of 1913-14 were a great set-back to the development of this class of banking of India, which is, however, slowly recovering from this great shock ; and there are now some Indian joint stock banks which are very well managed and which are doing a very useful service to the country. People are also getting alive to to the need of a healthy development of Indian joint stock banking and in future we may have more good banks of this class, which will undertake the financing of our foreign trade, which at present depends largely on foreign capital.

5. **The Indigenous Bankers**—They play an important part in the financial system of the country, because they act as necessary middlemen between the money market and the vast trading community. They finance the agriculturists, small traders and industrialists. The internal trade of the country is mostly in their hands. Their transactions are settled by means of hundis. The small banker

discounts his hundis with a city shroff who rediscounts them with the Imperial Bank of India or with any of the joint stock banks. The shroff gets the middleman's profit for the accommodation in the form of difference in the rates of discounting. During the busy season when money is dear the rate of discount is very high, Marwaris, Banias and chetties are the principal castes that do indigenous banking. They are unorganised, but command hereditary knowledge of their business. They do not, as a rule carry on the business of banking alone, but add shopkeeping and dealing in grain as their side business.

Instability of the Indian Money Market.—The two sections of the Indian money market are European and Indian—the former comprising the Imperial Bank of India, the Exchange Banks and the Joint Stock Banks, and the latter consisting of the shroffs, mahajans, indigeons bankers, loan offices, etc. Unfortunately there is little cohesion between the two sections and it has been none of the very serious defects of our money market. The outstanding feature of the Indian money market is the wide fluctuations in the money rates from one period to another during the year. These rates are exceptionally high during the busy season from November to June, when money is needed for moving the crops such as jute, cotton, wheat and oilseeds, from upcountry to the ports, and also for marriage ceremonies, etc., which usually fall in this period. From July to October, however money begins to return to the financial centres in payment for bullion and other commodities and the money market is well supplied with funds, which sometimes become almost unlendable even at 2 per cent, per annum. Thus the money rates vary according to the demand for money which is determined by the nature of the harvests and the prices ruling for our staple products.

In this connection the observations of the Central Banking Enquiry Committee are very telling : "The fact that a call rate of ¾ per cent, a hundi rate of 3 per cent a bank rate of 4 per cent., a Bombay bazar rate for bills of small traders of 6¾ per cent., and a Calcutta bazar rate for bills of small traders of 10 per cent., can exist simul-

taneously indicates an extraordinary sluggishness in the movement of credit between the various markets."

During the greater part of the year the normal rate of interest in India is much too high and this fact hinders industry and trade. Besides the seasonal stringency there are however other factors too which lead to the scarcity of loanable funds in the Indian money market. These are :—(1) The lack of a widespread banking system prevents the creation of credit during the period of tight money conditions, (2) The Government raises enormous loans (both long-term and short-term) to finance its opeations and also for the purpose of supporting the rupee exchange, and thus denuded the market of a good deal of surplus funds. (3) The Govenment's exchange policy *viz.*, its undertaking to maintain rupee exchange at 1/6 has led to drastic contraction and deflation of currency during recent years. (4) Accumulation of capital is very small in India owing to the poverty of the people and their habits of hoarding their small savings for want of adequate and safe banking facilities.

The Exchange Market.

The Exchange market like all other markets consists of buyers and sellers. The buyers are the public who want to make remittances by T. T. or D. D. or who want to make contracts to buy at later date, and also the banks who would desire to buy against their sales to the public. The sellers consist of the public who have claims to foreign currency in the form of ready funds to be drawn upon by cable or demand drafts, or export bills or cable transfers for delivery at a future date, and also the banks who wish to sell against their purchases from the public.

These seller and buyers usually meet through the agency of brokers.

Ready and Forward.—Like other markets. dealings in exchange may be *ready* or *forward* Due to various reasons there is a seasonal variation in forward sterling exchange of 1/32d. per month upward from about October

to March and downward from about April to September, though in some months there may be even rates for near forward. Forward business is generally done only up to six months.

Banks act as intermediaries between the importers and exporters, and they accommodate them very often by selling ready against forward purchases of bills or by buying ready bills against forward sales to importers.

This process of buying ready and selling forward or of selling and buying forward is known as "budlee."

Import Bills.

Import bills may be either clean or documentary. A documentary bill is either D. A. or D. p, the former class being rare in India in contrast to the custom in other countries.

Documentary bills may also be classed as (*i*) bills against credits and (*ii*) bills for collection.

Note–Payment of interest on drafts on India is generally at 6 per cent. as called for under the "Eastern Clause', from the date of draft until approximate date of return of proceeds to London. New york. etc. The drawee has the option of paying on the due at the T. T. rade or at the D. D. rate which is 1/32d. higher, but he would have to pay interest for about 15 days at 6 per cent. which is more than the difference in the rate.

If the drawee does not settle the rate of exchange by a previous contract. the bill would be collected at the B. C. rate. This is the " Bills for Collection" rate and is settled every morning by the managers of the exchange banks and is usually 1/32d. lower than the open rate expected for the day. Sometimes the latter may move one way or the other during the day, but the B. C. rate would be unchanged. The B. C. rate is quoted for T. T. and D. D. and the choice is at the option of the drawee.

Some importers put off making contracts almost until the last moment and make a contract on one day and take

it up the next day. The advantage they gain is that the contract rate is generally the open market rate. Secondly if a contract is made, the bank might waive the commission charge, while it would be made invariably in the case of B. C. bills.

A prudent importer would usnally make his exchange contract when ordering the goods, but imprudent importers are not very rare.

Banks' selling rates—The standard difference between the bank's selling rates for T. T. rnd D. D. is 1/32d. In some cases, as when the exchange rate is low or when the London interest rate is lower than 3%, the contrary state of things prevails and T. T. and D. D. are sold at the same rate but bought at 1/32d. difference.

Export Trade.

Banks' buying rates. The difference between the buying rates for T. T. and D. D. on London is 1/32d. to compensate the buyer for the fact that the payment in London is about 15 days later than in India. Hence the rate for buying T. T. is lower than the rate for D. D. This difference is equal to an interest charge of 4½% which is just over the average loss of interest in London.

Spot and long rates.—The difference between the T. T. rate and bill rate consists of the following elements :—

1. Interest for transit period.
2. Interest in the foreign centre for the usance.
3. Stamp charges.
4. Bank's commission.
5. Trade risk.

So long as the factors affecting bill rate or long exchange do not vary, the spread between(*i*) the T. T. and D. D. rates or spot rates as they are called, and (*ii*) the bill rate or long rate is constant, and when one of them moves the other will also move. Thus if the spot rate is

1/5-31/32 and the long rate is 1/6-1/16, and if the former changes to 1/5-15/16 for some reason, the latter will also drop to 1/5-15/32.

OTHER TERMS.

Money Rate.—The rate of interest charged by lenders for the use money.

Rupee Rate—The equivalent of a rupee in terms of foreign currency especially of sterling.

Clive Street.—A term employed to indicate the money market of Calcutta on account of the fact that many of the principal banks have their places of business in that street.

Lombard Street.—A term which is used to signify the London money market, because in that street or in the vicinity are situated the offices of many of the banks and other financial houses.

Wall Street.—This term stands for the New York Stock Exchange which is located in that place.

Call Money, Short Accommodation or short credits.—Temporary loans given by banks, which can be recalled at any time or on giving to the borrowers a short notice.

Term Money or Time Money.—Loans granted by banks for a fixed period, usually not exceeding three months.

Deposits.—Monies lodged with the banks on fixed deposit account for a specified period, say one, two, three or six months. The depositors cannot demand repayment of their deposits before the due date.

Plethora or Surfeit of Funds.—Plenty of money available in the money market, which cannot be lent even at a nominal rate of interest.

Public Debt.—The loans raised by the government of a country from the public for the purpose of meeting state

expediture. All modern states have to contract heavy public debts partly for wars and partly in connection with extraordinary expenditure on public works. The Government of India borrows both in India and in England. Monies borrowed in India are known as *rupee debt*; while borrowing in England goes by the name of *Indian sterling loans*. Again if Government borrows for the purpose of financing a public undertaking which will yield income, such a loan is termed '*productive debt*; and loans taken for meeting the ordinary expenses of the state are '*unproductive debt*'.

Floating or Unfunded Debt or Short-term Borrowing.—Purely temporary loans raised by Government, which are repayable on demand or on a specified date, *e.g.*, treasury bills issued by Government, the deposits received in postal savings banks or the sales of P.O.Cash Certificates.

Funded Debt or Long-term Borrowing.—Monies borrowed by Government for a longer period, which are not repayable at any fixed date. Such loans may be *perpetual or redeemable*. A perpetual of irredeemable loan is one which the Government is not bound to repay and on which only the interest is payable regularly. A redeemable debt is repayable during a certain specified period or by giving a notice at the option of the Government. The securities which the Government issues to the lenders in connection with long term borrowing are called. Government Promissory Notes or simply G.P. Notes.

Borrowing on Ways and Means Account.—Temporary loans taken by the Government of India from the Reserve Bank for meeting current expenditure.

Conversion Loan—A new long-term loan usually carrying a lower rate of interest issued by Government in exchange for an older loan which has to be redeemed. The holders of the old securities are of course allowed the option of getting repayment in cash or in new securities.

Government Purchases of Sterling.—The Government of India purchases sterling demand drafts for two purposes—(*i*) To put the Secretary of State in funds, and (*ii*) to lower the rupee rate of exchange should it rise above the upper gold point.

Treasury Bills.—These are securities issued by the Government of India, when temporary loans are raised. The period for which a treasury bill is current is known as its 'usance.' Interest on these bills is paid by means of issuing them at a diseount. They are of various maturities.

These bills perform a useful function during the slack season of the money market, because the lenders are enabled to invest their otherwise unusable funds at profitable rates; but when they are issued during the busy season they are disliked by the business men, since they make money dear and thus add to the merchants, interest charges. The banks also resent their issue because the Government begins to compete with them for merchants' funds seeking short-term investment.

As far as investors are concerned treasury bills are an excellent security in that there is no risk of capital depreciation and should the holders be in need of money they can very easily discount their holdings with banks.

The method adopted for the issue of treasury bills is as follows. The Controller of Currency invites tenders from the public for a specified amount. The tenders are opened on Tuesdays and the lowest tenders (*i. e.*, tenders demanding the lowest rate of interest) aggregating to the amount required are accepted. The tenderers are then given the bills on payment of the amount due. The Government is not bound to accept tenders amounting to the sum specified. The amount accepted depends on the rate of interest demanded. The price at which allotment is made is below the face value of the bills, because the difference represents the interest to be paid on the money borrowed.

Should the entire amount required be not received when allotment is made on Tuesdays, Government sells at a fixed price during the following week what are known as "*Intermediate Treasury Bills.*" Usually the rate of interest allowed for such bills is the average rate paid on the accepted tenders on previous Tuesday.

Paper Currency Reserve.—This is a reserve maintained by Government for the purpose of securing the convertibility of its note issue. The reserve consists of gold and silver coins and bullion and government securities. It is held partly in India and partly in England. The amount of currency notes which can be issued against Government securities is fixed by law and is called the "Fiduciary Issue". Any notes issued beyond this amount are to be backed by an equal amount of metallic coins or bullion.

Inflation or Expansion of Currency—Increasing the volume of currency in circulation chiefly through manipulations of the Paper Currency Reserve *e. g.*, by adding government securities of a given amount to this reserve, an equal amount of fresh currency notes can be issued by Government.

Deflation or Contraction of Currency—This means reducing the quantity of currency in the country, say by means of removing the government securities of a certain amount from the Paper Currency Reserve and then cancelling currency notes of an equal value.

CHAPTER 8.

MONEY AND EXCHANGE MARKET REPORTS.

Section A (Daily Reports.)

1. BOMBAY MONEY

BOMBAY, MAR. 1950.

The following are the opening rates :—

B. C. rate T. T. ls. 5-15/16d. D. D. ls. 5-15/16*d*,

London—Banks selling T. T. (spot)ls. 5-3/32*d* : do. D.D. ls.5-31/32*d*: Banks Buying T.T. ls. 6-1/32: do. D. D. ls. 6-3/32*d*. : Banks buying three months ls. 6-7/32*d*.

New York—Banks selling T.T. 333 : do. Selling D.D. 329 : do. Buying D.D. 328.

Paris—Banks selling T.T. 1.300 : Banks Buying T.T. 1.340.

Japan—Bank Selling T.T. 33⅝ do. Buying T.T. 82⅝ : do. Buying 60 days 81⅝.

Amsterdam—Banks Selling D.D. 55⅛.

Java—Banks Selling D.D. 54⅝.

Hong Kong—Banks Selling D.D. 83⅝ (nominal)

Shanghai—Banks Selling D.D. 24⅞.

Singapore—Banks Selling D.D.157¾.

Call money 1¼ per cent easy.

Tone : Dull.

The Statesman.

2. CALCUTTA MONEY

18th March 1940.

The market is steady.

Inter Bank can money ½ per cent.

Sterling rates may be quoted as follows :—

Banks Selling—Telegraphic Transfers ls. 5-31/32*d.* on demand ls. 5-31/32*d.*

Banks Buying—Three months Sight Bills d/a ls. 6.7/32*d.* four months Sight Bills d/a ls. 6-9/32*d.* ; six months Sight Bills nil, Sight ls 6-3/32 T.T. ls. 6-*32d.*

Other rates are as follows :—

Banks Selling d/d buying 30	dst.	
France (francs per Rs. 100)	1.300	——
America (Rs. per $. 100)	333	——
Canada (Rs. per $. 100)	303	——
Hong Kong (Rs. per S. 100)	83½	81¼
Shanghai (Rs. per $. 100)	24	——
Singapore (Rs. per $. 100)	157½	154¾
Japan (Rs. per yen 100)	83⅝	81⅝
Jeva (guilders per Rs. 100)	55¼	57

Chamber of Commerce rate for freight ls. 6/32*d.*

Cable quotations :—

London-New York (dollars per£64·03½

London-Paris (Francs per £ 1) 176¾

Silver—Ready 30-13/16*d.* Forward 20-13/16*d.*

B.C.T.T. rate and B.C.O.D. ls. 5-15/16*d.*

Reserve Bank rate per cent.

The Statesman.

3. EXCHANGE RATES

	London, June 17,1939.
T.T. London on Paris	176.71
T.T. London on Berlin	1166$\frac{3}{4}$
T.T. London on Amsterdam	8·82-1/16
T.T. London on Brussels	27.54$\frac{1}{2}$
T.T. London on Milan	89.02
T.T. London on Berne	22.77$\frac{3}{4}$
T.T. London on Stockholm	19.42$\frac{1}{8}$
T.T. London on Oslo	19.90$\frac{1}{8}$
T.T.London on Athens	54.80
Bombay Transfers	1s. 5.29/32*d.* buyers 1s. 5-59/64*d.* sellers.
T.T. London on Prague	No trading
New York Demands Bills	468$\frac{1}{4}$

DISCOUNT RATES

Bank Bills 3 months	$\frac{7}{8}$ to $\frac{7}{8}$ p. c..
Bank Bills 6 months	1$\frac{1}{8}$ to 1$\frac{1}{8}$ p. c.
Fine Trade Bills 6 months	3 to 3$\frac{1}{2}$ p. c.
Fine Trade Bills 6 months	3$\frac{1}{2}$ to 4 p. c.

SHORT LOANS

Interest day-to-day Loans	$\frac{1}{2}$ to $\frac{1}{2}$ p. c.
7 days Market Loans	$\frac{1}{2}$ to 2 p. c.

SILVER

Silver Spot per oz.	19-11/16d.
Silver Forward	19.7/16d.
Silver New York	not fixed

Market: Quietly steady. Speculators sold India bought.

GOLD

Bar Gold per oz.	£7-8 6

SECURITIES

Rentes 3 p. c. (Paris)	77$\frac{5}{8}$ Francs

The Statesman.

Section B (Weekly Reports).

1. BOMBAY MARKETS

5th February, 1941.

Although banks and finance brokers report a slight improvement in the demand for funds, the money rates are practically unchanged. Obviously, the demand is so poor that it is not reflected in the rates. With very little export activity due to severe shortage of freight and the consequent slow movement of crops towards port towns, it is not surprising to see such slackness in demand for funds though we are in the midst of the usual busy season of the year. The rate for call money continues to be sticky at ¼ per cent. As for short-term deposits, one to two months are quoted at ½ per cent. three months at ¾ per cent. and six months at 1 per cent. The Treasury Bills rate, however, continues to register recession week after week. The results announced this morning showed the rate at Re. 0-11-0 per cent. per annum as against Re. 0-11-6 per cent. in the previous week and Re. 0-13-4 per cent. a fortnight ago. It is noteworthy that this recession has occurred despite the fact that the amount of tenders offered to the Bank at Rs. 3,75,00 000 was somewhat lower than in the preceding week when such aggregated Rs. 3,89,00,000. The total amount accepted was Rs. 1,00,00 000 which level will be maintained in the coming week also.

That the floating stock of funds in the market has continued to gain in size is confirmed by the statement of affairs of the Reserve Bank for the week ended 31 st January. 1941, which reveals a further rise in the balances of banks to Rs. 46.88 crores as against Rs. 44.59 crores a week ago. This is perhaps due to the termination of the sale of the first Defence Loan from 25 th January last and the Treasury Bill maturities being substantially higher than the offtake.

The Gilt-edged market, after ruling firm during the earlier part of the week, closed a shade quiet in sympathy with the London market where the $3\frac{1}{2}$ per cent. Indian Sterling Stock declined by *7s. 6d.* to £96 on the 3rd inst. The $3\frac{1}{2}$ per cent. Rupee Paper which was very firm at about Rs. 95-10 in the opening slipped down by nearly eight annas late in the week, but closed slightly better at Rs. $95\frac{1}{4}$. Among long-dated securities, both 4 per cent. 1960-70 and 3 per cent. 1963-65 finished quiet at Rs. 108-3 and Rs. $94\frac{1}{4}$, respectively, although earlier in the week they were higher by three annas. The 5 per cent. 1945-55 tax-free Loan was available at Rs. 112-6, $3\frac{1}{2}$ per cent. 1947-50 at Rs. $102\frac{1}{2}$ and 3 per cent. 1951-54 at Rs. $99\frac{1}{4}$. The fiirst Defence Loan—3 per cent. 1946-was the only bright spot in the whole market, the keen interest evinced by investors for this Loan being reflected in a rise of about six annas to Rs. 100-7. The turnover on the whole was poor, mostly due to lack of fresh buying interest.

The rupee-sterling exchange market is almost starving for what of export bills and remittance enquiries. Inter-Bank business is restricted to needy minimum and rates are unchanged.

There is absolutely nothing of any interest in the foreign exchange market.

The Commerce.

2. MONEY MARKET

Bombay, *4th December 1946.*

Although supply of funds in the Bombay Money Market has been more abundant than in the previous week, demand for funds continues to be on the high side Ample indication of this is seen in the steep rise of Rs. 11.35 crores in Scheduled Banks, advances during the week ended 22nd November, 1946. Inter-bank call money has been quoted at $\frac{1}{2}$ per cent., with lenders over. Three months and six months' deposit rates remain unchanged at $\frac{3}{4}$ and $1\frac{1}{4}$ per cent., respectively.

The results of the Government of India three months' Treasury Bills disclose poor response. Offerings at Rs. 1. 26 crores are lower by Rs. 62 lakhs, as compared with those made a week before. Total amount accepted, too is lower by Rs. 63 lakhs at Rs. 1 crore. The average rate of accepted tenders works out to Re. 0-7-0 per cent per annum which is the same as in the previous week. Invitations for the next week remain unchanged again at Rs. 2 crores. Maturities of these Bills for next week amount to Rs. 80.75 lakhs.

The Gilt-edged security market presented an easy undertone during the week under review. Recent failure of certain Calcutta non-scheduled banks, decline in the values of bullion and shares and the dismal political outlook appear to have scared investors in this section. Sellers predominated throughout the week and, in the absence of buying support, prices recorded all-round recessions, with leading loans as much as seven to eight annas during the week. Thus, 3 per cent, 1986 witnessed selling pressure at as low as Rs. 104 as against Rs. 104-8. A similar loss was noticed in 3 per cent. non-terminable loan also at Rs. 104. 3 per cent. 1970-75 changed hands at Rs. 104-6, as against Rs. 104-13 a week ago. 3 per cent. 1966-63 declined by As. 4 to Rs 104-6. 3per cent 1963-65 came in forsiperstent selling and suffered most at Rs. 104-8, as compared with Rs. 105-1 last week. 3 per cent. 1959-61 were lower by As. 3 at Rs. 104-6. A loss of As. 5 was aeen in 3 per cent. 1653-55 at Rs. 104-2. The now loan 2 per cent. 1954 was As. 6 below par.

The Commerce.

3. Bombay Money Markets (1944).

BOMBAY, 1 st March, 1944.

Easy money conditions continued to prevail in the local money market during the week under report. In the absence of any fresh developments to stimulate

demand for money, there was no likelihood of a change in the ruling interest rates. Thus, inter-bank call money rate remained unaltered at ¼ per cent. per annum and the rate for three to six months' deposits moved as usual between ¾ per cent. and 1 per cent. per annum.

The Treasury Bill results showed that, as against an invitation of Rs. 6 crores, tenders offered amounted to Rs. 7.79 crores, of which only Rs. 5.05 crores were accepted by the Government. Tenders at Rs. 99-12-9 were accepted, the lower ones being rejected. The average rate of accepted tenders remained unaltered at the previous week's level, namely, Re. 0-12-11 per cent. per annum. This evidently shows that the Government was not inclined to pay higher rates. Tender limit for the coming week remains unaltered at Rs 6 crores. During the week ended 25th February, Treasury Bills for Rs. 145 lakhs were sold in favour of the Issue Department of the Reserve Bank of India.

During the week, as against an invitation of Rs. 3 crores of three months Government of Bengal Treasury Bills, the amount offered was Rs. 5 crores, but the average rate of accepted tenders was as high as Re. 0-14-0 per cent. per annum. The Reserve Bank has invited tenders for another Rs. 3 crores of Bengal Government Treasury Bills and for Rs. 1.50 crores of Assam Government Treasury Bills.

Easier conditions were witnessed in the Gilt-edged market during the major part of the week. Excepting the Government Paper, others showed a tendency to decline in values. 3½ per cent. Government Paper opened the week at Rs. 98-13, but after declining to Rs. 98-12 on the 28th inst. rose up by As. 2to.day on about of buying brought about by the rise of taxation and compulsory deposit as announced by the Finance Member in his budget proposals yesterday. 3 per eent. 1949-52, 3 per cent. 1963-65 and 3½ per cent. 1947-50 lost an anna each to Rs, 100-12, Rs.98-8 and Rs. 103-3, respectively, 3 per cent. 1946 were lower by As. 2 to finish at

Rs. 102-2, while as much as As. 3 were lost in 4 per cent. 1960-70 which closed at Rs. 112-8. There was no change in other securities. The trend of the market at the close was distinctly firm.

The Commerce.

Section C (Extracts from Money aad Exchange Market Report).

1. *There was the usual end of your stringency*, and on December 28 and 29 the rate for call money rose to 6 per cent. *with borrowers over.*

There......stringency—The money becomes usually scarce at the end of the year, because many banks call back their loans in order to show a higher cash balance in their Balance Sheets.

With borrowers over.—With borrowers left without getting the loans.

2. The possibility of a drop in the Bank Rate to 4 per cent. before the end of the month *has already become a betting proposition, in which long odds are not asked for.*

Has......for.—Has become well-nigh certain.

3. One must however look ahead and realise that *the London Money Market will in all probability have to be tapped for a loug-dated Indian loan, and that short-term borrowing beforehand might possibly queer the pitch.*

The......pitch.—The Government of India will have to raise its long-term loan in the London money market, and therefore if temporary borrowing by means of treasury bills takes place before-hand, the loan may not be a success.

4. The week under review has shown that Government still consider it necessary *to ride the exchange market with a tight curb rather than snaffle and loose rein.*

To......rein.—To take all possible steps to support exchange rather than allow it to have its own way.

5. The Bank Rate remains unchanged at 6 per cent. but there would in all probability have been a reduction to 5 per cent., *had it not been for the uncertainty and nervousness regarding the future course of international finances.*

Had.....finances.—If thhre had been no fear and anxiety about the future conditions ruling in the money markets of London and America.

6. During the week *the dollar-sterling cross rate improved from* 4.84$\frac{7}{8}$ *to 4.85 and Londou discounts 5$\frac{1}{4}$ per cent. to 5.$\frac{5}{16}$*

The.........to.—5$\frac{5}{16}$—The cross rate rose from 4·84$\frac{7}{8}$ dollars per to 4·85, and the discount rate in the London money market fell from 5$\frac{1}{4}$ per cent. to 5$\frac{5}{16}$.

7. The Finance Member must be anxious to leave no stone unturned *to make money market conditions as propitious as possible for the floatation of his new loan.*

To.....loan.—To render they money market as easy as possible, so that the new Government loan may be a success.

8. *Rupee Government securities have slumped badly during the last few months and that on top of a steady decline during the previous eighteen months*, until the market is throughly disorganised.

Rupee...months.—The recent heavy fall in the prices of rupee Government securities has followed the continuous decline in their values which took place during the previous eighteen months.

9. It was pointed out that no further "*cash applications for the loan* were likely to be received during this week from banking, insurance or financial qnarters. and that *the broking fraternity had shot their bolt as well.*

Cash.....loan.—Offers to lend cash to Government as

opposed to the exchange of old securittes for the new loan, which is called "conversion".

The.........as well.—The brokers had also applied for as much loan as they wanted.

10. At the commencement of the week *there was a general bear raid on Government securitie* in Bombay, as a result of the very disappointing cash subscriptions to New Loan, and under heavy selling pressure all issues declined.

There.........securities.—There were heavy sales of Government securities by speculators who anticipated a fall in their prices in the future.

11. If the suggestion of *meeting the money market half way* (by offering treasury bills *of the most attractive maturities*) were adopted, it is probable the Government would obtain a fairly substaintial amount.

Meeting ..half way.—Satisfying to a certain extent banks and others who are likely to lend money Government.

Of......maturities.—Repayable at a time convenient to lenders. Treasury bills which fall due in the middle of the busy season are not liked by the market.

12. This week has seen *a welcome change in the position*, and helped partly by extremely easy money conditions and to a greater extent by the *cessation of bear operations* from Bombay, Government securities *have recovered to a marked extent.*

A...position.—Improvement in the prices of Government securities.

Cessation... ..operations.—Stoppage of heavy sales by speculators.

Have......extent.—Have appreciably risen in value.

13. The New Loan *which is naturally the index of*

the market has recovered from approximately 7 annas discount to 3 annas premium with more sellers than buyers at the latter price. *The rmainder of giltedged values have practically stablised themselves on a level giving the same interest yield as the new loan*

Which......market.—Which indicates the tendency of prices of all securities.

The......loan.—The prices of all other Government securities have stayed at such a point that they yield to the investor the same income as is obtainable from the new loan.

14. Nervousness, generated by political unrest, *resulted in 23% of the loan being left in the hands of the under-writers*, but there is no doubt that *the issue* after a short interval *will be unloaded at profitable rates.*

Resulted..... underwriters.—The underwiters had to take up 23% of loan themselves because the entire loan was not subscribed for by the public. An underwriter is one who, in consideration of a commission, agrees with the borrower to take up himself that portion of the loan which is not subscribed for by the public.

The......rates—The underwriters will be able to sell their securities at a profit.

15. It is certainly an extremely welcome sign that, in spite of the difficult conditions pevailing and in spite of Bombay's efforts to depress Government securities, *the market has shown so much resiliency and has responded so quickly to improved conditions in the money market.*

The......market.—The prices of Government securities have withstood the adverse factors and have improved owing to the easiness of money conditions.

16. Money conditions have been extremely easy during the week and *redundant funds have been a drug on the market, with lenders over of call and short notice*

at 1 per cent, and only occasional borrowers of fixed deposits at bargain rates.

Redundant......rates—The surplus monies cannot be lent and the result is that banks are willing to make call advances at even 1 per cent. and still they cannot all find borrowers. Consequently the banks are accepting fixed deposits at very low rates.

17. *There has been a lull in the export trade and considerably fewer bills have been showing*, with the result that *banks* have had fewer purchases to make and *have therefore shown less desire to scramble for the little cover available in the market.*

There......showing—The export trade has been dull and therefore very few exporters have sterling to sell to the exchange banks.

Banks......market—Banks are not therefore keen to sell remittance in order to cover their purchases of sterling in the form of export bills.

18. It must also be remembered that *with no demand for remittances on mercantile account Government hold the key to the exchange market*, and that by raising their buying rate to 1 *s.* 0⅜ *d.* at the first hint of firmness, *they have rushed the exchange market* at the very commencement of the season.

With......market—There are no importers who want to purchase sterling ; therefore the exchange market is entirely in the hands of Government, because they are the only buyers of sterling.

They......market—They have forced up the exchange rate.

19. This year money and exchange rates *commenced to sag* about the normal time, *viz.*, mid-April and normally *there should have been a reflection of easier*

monetary conditions ahead in a distinct discount in exchange rates for deliveries during the monsoon months. For some unaccountable reason, however, *in mid-April there was a slight premium in exchange rates* for *monsoon deliveries.*

Commenced to sag.—Began to fall.

There......months—Owing to the easy money conditions in the coming months, the exchange rates for monsoon deliveries should have been lower than those for ready.

In......deliveries—In the middle of April the rates of exchange for delivery in July, August or September were however, a bit higher than ready quotations.

20. The response to *the innovation* of *12 months' treasury bills* was distinctly encouraging. Tenders amounted to Rs. 2,45,50,000, *but the market had obviously misjudged Government's willingness "to pay"* and only 44 lakhs were accepted at a rate giving a return of approximately $5\frac{1}{8}$ per cent. per annum. *It is not unnatural that, as 12 months' bills were an innovation and experiment, the market's first tenders should have been something in the nature of 'feelers' as to the rate which Government were prepared to pay and as such would be on the greedy side.*

The.........bills.—The 12 months' treasury bills were started for the first time this year (1929.)

But.........pay—But the market could not correctly ascertain the rate of interest which the Government was prepared to pay for 12 months' loans.

It......side—It is therefore justifiable that, as the 12 months treasury bills were issued for the first time, the lenders demanded a higher interest rate in order to find out what rate the Government could pay.

21. The question, as far as India is concerned, would appear to resolve itself into one of *taking drastic steps this year to insure that the loan is a complete and crush-*

cing success. thereby stabilising the Government security market, even at a lower level, and insuring that *the heavy conversion programme of the next few years can be carried out on at least equal terms.*

Taking........level—All the necessary steps must be taken so that this year's loan may be fully subscribed, and the prices of Government securities may stay at least at their present low figures.

The........terms—The conversion loans to be issued during the coming years, may be offered on the same terms as to interest, etc.

22. The chief feature in the financial world during the week has been *the surprising swing of the pendulum in the exchange market*, and there has been considerable speculation as to the cause of the sudden firming up in exchange rates. It is of course recognised *that "bear" operations in Bombay were partly responsible for the exceptional weakness in exchange early in the month, and that as a result of the operations Bombay is probably fairly heavily overbought. But with the export trade of India at a standstill, last-week's firming up exchange rates would appear to have been overdone —unless the view is held that further deflation will have to be resorted to in order to put the Secretary of State in funds.*

The........market.—The unexpected fluctuation in exchange rates.

That........funds.—The heavy sales by speculators in Bombay were the cause of a drop in the rate or exchange at the beginning of this month; and the result of this heavy selling is that exchange bank have purchased far more than what they have sold to importers. They will therefore have to sell more in order to cover their purc ases, and this fact may raise exchange. But on account of the export trade being dull the last week's rise in exchange was not fully justified, unless it is anticipated that currency will be further

deflated in order to enable the Secretary of State to obtain the necessary funds.

23. *The recent abnormal conditions in the money market coupled with a rise in the Bank Rate to 8 per cent. and every indication of continued firmness if not stringency, in money rates and the bogey of treasury bills, both rupee and sterling, hanging over the market–had caused a general feeling of lack of confidence and anxiety regarding Government's capacity to borrow in India on terms, which would not lead to a further deprecition in existing Government Rupee Securities.*

Owing to the unsatisfactory money conditions in America and London, the 8 per cent. Bank Rate the possibility of continued dear money and the fear of re-issue of treasury bills it is certain that Government will not be able to borrow in India unless a higher rate of interest is offered and consequently the prices of existing Government securities would fall further.

24. It would certainly appear that the only hope of the Bank of England rate not being raised lies in the possibility of a growing fear ***that the Wall Street bubble is about to burst*** and that even ***the attraction of rapidly sky-rocketing share values*** and 10 per cent. and 12 per cent. for loans at call and short notice may be considered not worth the risk, ***when it is a question of blowing good gold into a bubble, which looks as though it might burst at any moment***

That.........burst—That the highly speculative transactions on the New York Stock Exchange are about to end in heavy losses.

The.........values—The temptation given by extremely high prices of shares.

When......moment—When it means investing money in a highly speculative venture which may completely fail at any time.

25. *When money is really dirt cheap in the money market the issue of treasury bills to take off the surplus and unlendable funds, which at times have clogged the market during the monsoon months, could be said to fill a gap which has long been an obstruction in the finan-cial machine in India. But the issue of treasury bills at a time when the money market is just and only just recovering from a period of severe stringency is totally different matter and is naturally resented fcr more rea-sons than one. For one thing Government at once becomes a competitor of banks for merchants' short-term money.*

When money conditions are easy, the issue of trea-sury bills to absorb the plenty of unusable funds during the slack season is certainly very useful to the India money market. But the treasury bills issued just after the busy season are disliked by the market for many reasons one of which is that Government beigns to compete with banks for peoples' deposits.

26. At the time of the *meteoric improvement in Indian borrowing rates*, warnings were continually thrown out in these columns that the pace was too fast and that India could not possibly continue to borrow on al-most equivalent terms to London and better terms than almost any other country in the world. Later *when drastic deflation was necessitated, as a corollary to the "one and six panny rate penny rate"* it became evident *that there would have to be retrogression and the 1927 loan fiasco produced sfficient proof*, if proof was necessary.

Meteoric......rates.—Sudden reduction in the rate of interest paid on loans raised by Government.

When......rate.—When Government very largely reduced the currency with the object of supporting the 18*d*. rate of the rupee.

That......proof—That a higher rate of interest the have to be paid in future as was shown by the failure of will 1927 loan on account of a low rate of interest.

27. *The fact that new long-term sterling borrowing has had to be resorted to, to finance the purchase of sterling Burma Railway outstanding, must be something of a bitter pill after the glowing predictions made, not so very long ago by Sir Basil Blackett; that India would soon be free to all sterling debts, especially after sterling borrowing had to make good the failure of the 1927 rupee loan. If all boils down to the fact that the attempt in 1926 to place Indian Government Securities on a par with Consols, and on a higher level than the Government securities of almost any other country or Dominion was too ambitious and premature, and we are now suffering from the effects of our attempting to run before we were really in a position to do more than walk and gradually fit ourselves by long and painstaking training for the ambitious attempt to break records.*

Some time ago Sir Basil Blackett said that India would not have to raise any loan in England after the sterling borrowing of 1927. But the Government of India have had to borrow in London for the purpose of meeting treasury bills issued for the purpose of Burma Railway. The reason for this is simple. In 1926 the rate of interest allowed on Government loans issued in India was lowered so much that it was equal to that of British Government securities and lower than those paid by the government of other countries; and the result is that the required money cannot be raised in India and Indian government has been forced to fall on London market. The safe course for the then Finance member to adopt would have been a gradual reduction in the rate of interest on government loans.

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CHAPTER 9.

MONEY AND EXCHANGE MARKET EXERCISES

1.

The raising of the Bank rate to 6 per cent. for no apparently justifiable cause and fears that for similar reasons there might at any time be a further rise to 7 per cent. *led to the beginning of a mild scramble for money*—accentuated by the fact that the market was only open for occasional days during the holidays—and Call Money rose to 4—4$\frac{1}{4}$ per cent. with 5 per cent. freely offering for Three Months' Deposits.

Not only this, but Exchange Banks began selling sterling somewhat freely to Government at 1/5$\frac{7}{8}$ and *appeared to be building up a slightly oversold position thereby.* This latter increased, as fears became more acute that Government would raise their buying rate to 1/5 29-32, and there is no doubt *that Banks finally built up an oversold position rather than risk having to sell at the higher rate, when funds were actually required.* General steadiness continues and upwards of £ 2 million was sold to Government.

But at the beginning of last week, as the Market began receiving payment in rupees for their sales of sterling, it became evident *that Banks had drawn considerably more from London than they required*, and Call Money began to be offering freely down to 2$\frac{1}{2}$ per cent. and then to 2 per cent. or even 1$\frac{1}{2}$ per cent. Trade had not improved, and the trade demand for funds had not improved—and at the close of last week the money

Market discovered that India was in the same condition of *stagnant lethargy* as it had been at the beginning of the month, and that the Money Market had on the other hand something like Rs. *1 crore extra surplus funds* which were unuseable. Not only this, but these extra surplus funds had been withdrawn from London, where money was worth anything from 2 to 3 per cent. more than in India. The result was that at the close of the week Exchange Banks *decided it was better to pay for their mistake at once and return surplus funds to London.* aud as a result exchange—which had stood on the basis of 1-5- 27/32 for Ready T.T. since September 10—*shed* $\frac{1}{32}$ to $1/5\frac{13}{16}$, and even at this rate showed signs of weakness.

1. Explain the italicised parts.

2. What mistake referred to above did the exchange banks commit and how did they rectify it ?

3. How do exchange banks draw funds from England?

4. Enumerate the causes which led to a mild scramble for money during the week.

2.

During the week there have been indications that *Government's gesture* last week in raising the Imperial Bank Rate to 7 per cent, contracting a further Rs. 3 crores, and accepting Treasury Bills at very *high interest yield rates*, is beginning to have effect. Money Market rates have not altered to any great extent, and *the best offering* for Call and Short notice was 2 per cent, but there was a better demand for deposits and up to 3 per cent. was offered for one month and 4½ per cent. for two months. The market continues to work on the smallest possible *floating balance* and *Exchange Banks as a whole are only just not "in" the Imperial Bank,* and any improvement in trading conditions must lead to a very increased demand for funds and a *consequent rapid tightening in rates.*

But trade shows little signs of real reviving, and until

that materialises Banks will continue to work on the bare minimum of balances and there will only be ***spasmodic temporary squeezes*** leading to "***wind up*" *tactics*** such as was experienced during the early part of October. On the other hand exchange Banks are getting anxious regarding their positions for November, December and January and have been better sellers during the week, and although ***Government's buying rate for sterling*** was raised in mid-week to ls.5 29/32*d*. ***there are already tentative sellers to Government at the rate.*** One must, however, in taking stock of the present situation bear in mind that approximately Rs. 17¾ crores Treasury Bills mature between now and the end of march, and also that up to November 2, ***Government had only remitted*** £13 ***million*** (***inclusive of*** £7½ ***million transferred from the Paper Currency Reserve***) ***which leaves little short of*** £20 ***million to remit during the next*** 4½ ***months.***

1- Explain the italicized parts in your own words.

2. What was the Government's gesture last week as referred to in the first paragraph ?

3. Write a short note on; "Government Sterling Remittance."

3

Such is the position of world finance of the moment but to turn to the direct and possible effect of the rise in the Bank of England Rate on India. Theoritically there should have been market weakness in the rupee exchange on Friday and Saturday but ***country to theory*** the rupee exchange remained steady in Calcutta at ls. 5 27/32 and barely lost 1132 in Bombay. At first sight ***it is difficult to understand the Rupee's capability of withstanding a rise in London money rates to 6½ per cent.***, when Call Money is available in fair volume in Bombay at 2½ per cent. and in Calcutta at 2¾ per cent and, even after examining the position, one is forced to the conclusion that ***the present strength may be shortlived.*** But to revert to the reason for the Rupee's present power of withstanding an event, which theoritecally should have produced immediate weakness.

The answer can be given in a few words. Owing to the recent ***stagnation in trade***, the lateness of the Jute season, etc., and in outlook for the future, which does not encourage a belief in any very marked revival in trade—Exchange Banks have reduced their funds in India to the minimum required to finance what little trade there is going. The surplus of funds is small, but although for present requirements (which accounts for the existing level of money rates) is not sufficient to allow of any transfer of funds to London ***however attractive money rates there may be compared to India.*** There has been no rush therefore to transfer funds to London—with a consequent weakening in the rupee exchange—because there are no surplus funds to transfer. Further more—certainly as far as Calcutta is concerned—meagre export business as recently just about balanced equally meagre import business ; and ***so long as Banks are able to get their required extra difference between remittance and export bills and so long as the one just balances the other, is no reason for them to lower the rate at which they are prepared to sell on Londan.***

So long as the demand for remittance is balanced by exports—the exchange will not be affected by the rise in the Bank of England Rate, and the only difference will be that shippers of India produce and manufactures ***will pay more for their finance.*** But if an excess demand for remittance springs up and Exchange Banks are asked ***to take up an oversold position***—they will certainly not draw 6½ per cent, money from London, without considerably lowering their selling rate. It has been previously stated that the reason why the Rupee Exchange did not weaken on Friday and Saturday was because there were no surplus funds available to remit to 6½ per cent. London ***"Surplus Funds" should have been qualified by money market and Banks' surplus funds.*** And there may be funds belonging to firms and institutions with Head Offices in London which may be called in by London during the next week or ten days. Decisions as to the movement of such funds

take longer to materialise than those applying to Bank funds, and *a heavy demand for sterling on this account might conceivably spring up in the next few days and swamp temporarily at any rate the slightly reviving export activity.*

1. Rewrite the italicized portions in your own words.

2. Make a precis of this extract.

3. How does a rise in the Bank of England Rate ordinarily affect the rupee exchange, and why during the week under review a contrary effect was in existence?

4.

The result of the working of this year's loan is explained by Mr. Taylor, Controller of Currency. The loan itself consisted of two series: (1) *A five per cent. Loan (1939-44)* and (2) *five per cent. Bonds As a safeguard against capital depreciation* the Government offered to accept the 1939-44 loan at its issue price as equivalent of cash in subscriptions to any future loan having a currency of ten years or more and maturing after July 15, 1944. As a further insurance against the risk of capital depreciation, a sum equal to 1½ per cent. of the amount of loan outstanding at the close of the preceding financial year will be set aside each financial year to form a fund which *will be primarily used to support the loan in the open market* when its quotation falls below the *issue price.*

Subscriptions to the loan were payable in cash, treasury bills or *six per cent. bonds, 1930-1931, and 1932.*

All the three series of bonds *could be converted into the long term issue*, but the 1930 Bonds could also be converted into a short-term issue, *subject to the proviso that at least an equal amount had been tendered for conversion into the 5 per cent. Loan* (1939-44). Bonds were accepted as equivalent of cash in subscription to the loan at Rs. 102, Rs. 103-2, and Rs. 104-2 respectively, *per Rs. 100 nominal value of bonds tendered.*

Interest on bonds tendered for conversion was paid up to June 30, 1929, irrespective of the date of tender. Treasury bills were accepted in subscription to the loan at their face value less a discount of 4 per cent. per annum in case of three months' bills and $4\frac{3}{4}$ per cent. per annum in case of nine months' bills on the unexpired portion of the currency of the bills.

The loan was opened for subscription on June 20, 1929. In the loan notification it wes announced that ***the maximum amount of cash subscription that would be received was Rs. 12 crores (nominal) for the long term loan and Rs. 15 crores (nominal) for short term bonds,*** but that either issue would be closed, at the option of Government, to cash subscriptions at any time before June 28 if the subscriptions to both the loan and the bonds, taken together, reached a total of Rs. 18 crores (nomina). ***Subscriptions in the form of 5 per cent bonds were unlimited.***

1. Explain the phrases italicized.

2. What safeguards did the Finance Member adopt against the capital depreciation of the New Loan ?

3. Enumerate the conversion rights offered to the holders of 6 per cent. bonds.

4. Differentiate between Funded debt and Unfunded or Floating debt.

5.

At the opening of the week ***there was a steady undertone*** in the exchange market, due chiefly to the fears that Government would raise their buying rate for the sterling to 1s. $5\frac{29}{32}$*d*.

Ready remittance was quoted at 1s. $5\frac{27}{32}$*d*. and at this rate banks were keen sellers. ***But there was little or no buying inquiry in evidence.***

The forward rates were steady to firm in sympathy with the steadier undertone for the near position, and business was done for January-March at ls. 5$\frac{15}{16}$*d.*

Bills were quoted at ls. 6$\frac{7}{32}$ *d.* for one or two mails, but banks were reluctant to make any concesssion in rates or deliveries. *despite the lower trend of London discounts* which were quoted at $0\frac{25}{32}$ per cent.

There was little business offering, but there were indications that any revival in the export business would lead to fairly sharp firming up in rates.

The steady undertone was accentuated by the government raising their buying rate for the sterling on *Thursday to* ls. 6$\frac{3}{32}$. and the rate for the ready remittance advanced to *Rs.* 5$\frac{7}{8}$*d* while *bills could not be placed better than* ls 6 1/8*d. for the mail.* Money was in better demand and the call and short notice commanded 2 per cent. while the Banks were willing to pay 3 per cent. for the 1 month's deposits and up to 4$\frac{1}{2}$ per cent. *for the 3 months' money.*

Tenders for rupees one crore for the 3 months' Treasury Bills were accepted at *an average rate of Rs.* 5-6-3 *per cent.* and tender for a further one crore of rupees are called for the next week.

1. Explain the italicized phrases.

2. What is the difference between ready, near and forward positions ?

3. Are the forward rates of exchange higher or lower than the ready rate throughout the year ?

4. State in your own words the usual relation between the rupee rate and the money rates.

6.

Turning to events in the India Money Markets; we find the *Imperial Eank of India rate* was raised to

6 per cent. as from October 10 when "Cash" stood at Rs. 27,99 lakhs and the *Percentage* was 31 62. The figures mentioned are sufficient proof that, as far as the Imperial Bank's position was concerned, there was no justification for any raise in the Bank rate; and it may be further argued that as *exchange rates had shown no signs of collapsing after the rise in the Bank of England rate*, there was no justification for the rise in the Imperial Bank rate as means of supporting a falling exchange.

Despite any Justifiable reason for the rise in the Bank rate, the Money Market accepted the rise *with equanamity*. The subsequent Bank statements for the weeks ended October 11 and 18 show Cash Balances and Percentages of Rs. 2, 490 lakhs and 28·85 and Rs. 2,704 lakhs and 31·03 respectively. The rise in the Imperial Bank rate, however, exerted a very considerable indirect influence on Money and Exchange rates. During the first week of October there had been a considerable withdrawal of funds *to the Jute Disricts* and the surplus Money Market balances had been considerably reduced. "Call Money" and "Fixed Deposit" rates showed signs of hardening and there was a general feeling that at long last the combined effects of "Contraction," "Deflation" and *the denuding of the money Market's resources through Treasury Bills* were beginning to take effect, and that at any moment there would be a very sharp rise in rates.

1. Explain the italicized phrases.

2. Why is the rise in the Imperial Bank Rate regarded as unjustified?

3. What is the effect of a High Bank Rate on the money and exchange markets in India.

7

The chief influence was of course *the check to the flow of gold and credit to the United States to participate in the colossal speculative boom* and to take

advantage of *the fantastic "Short Money" rates ruling in New York*, and the probability of at least, *a gradual liquidation and repartriation of funds which had already been remitted to New York.*

During the fortnight under review, the chcek to any continued flow of European funds to New York has been complete, while liquidation of European credits already in New York and the repatriation of such funds has steadily increased. The causes of this withdrawal of funds from New York must be attributed firstly, to the drop in "Short Money" rates in New York, which took place concurrently with the rise in the Bank of England Rate—secondly, *as part of the aftermath of the "Hatry Collapse"* which led to the necessity of a general strengthening of cash balances in London and *consequent liquidation of speculative holdings on Wall Street*—and thirdly, to the increasing fear that *The "Wall Street Bubble" was about to burst.*

The combined effect of these three causes has led, during the last two or the three weeks, to a colossal withdrawal of European funds from New York and to *a most spectacular appreciation of sterling in relation to the Dollar;* while it is not stretching imagination to any great extent to suggest that the rise in the Bank of England Rate, followed by the 'Hatry Collapse' have been the initiating cause of the present "Wall street Debacle." No one doubted that ***the "Wall Street Bubble" had been blown almost to bursting point***, and also that ***it could not have been stretched to its, antastic dimensions without the assistance of European gold and credit.*** It therefore follows that any marked indications that European credit was being withdrawn, would naturally increase the fears—that already existed in the United States—***that the time had come to call a halt.***

The final result, at any rate, has been the apparent beginnings of a definite collapse in the United States ***speculative mania***, which for the last year has comple-

tely disorganised the finances of the world. Whether the recent collapse in Wall Street will continue and will lead to release, on a large scale, of the abnormal share of the world's supply of gold, which the United States has attracted to herself during the last few years remains to be seen. But as far as London is concerned the Dollar-Sterling rate is nearer *the gold import point to London* that the gold export point, and it is quite possible that *the present influences will more than outweigh the much talked of seasonal drain*" on London and may quite possibly *swing the pendulum* to such an extent that gold will begin to move from New York to London during the very height of the recognised autumn drain on London.

1. Rewrite in simple words the italicized expressions.

2. What were the causes which led to the withdrawal of European funds from New York?

3. Write short notes on :—"Hatry Collapse," "Wall Street Bubble," and Dollar-Sterling Cross-Rate."

8.

During the early part of the week it was abundantly evident that Exchange Banks by means of sales of sterling to Government had drawn more funds from London than they could employ under the existing stagnant trade conditions and money was offering freely *without finding borrowers over $1\frac{1}{2}$ to 2 per cent. for call and short notice.*

with a $6\frac{1}{2}$ per cent. bank rate in London, it was therefore not unnatural that there should be a marked tendency to return the surplus funds to London and exchange rates were in consequence quite on the basis of 1s. $5\frac{3}{16}$*d.* for Ready remittance with *interbank business reported done on the basis of* $\frac{33}{64}$.

Forward rates followed the quieter tendency for the near position and January-February fell to 1s. $5\frac{29}{32}$*d.* March-April to $\frac{1}{8}$ and the next monsoon to $\frac{27}{32}$.

With advices of rather easier discount rate in London, the few Export Bills offering *were also easier to place* and banks were inclined to make the co ncession not only apply in deliveries but also in rates. *Business was, however, of a retail nature only on both sides of the book.*

Thursday and Friday were Exchange Bank holidays and the meeting of the Imperial Bank took place on Wednesday evening. The publication of the decision to raise the Imperial Bank of India rate to 7 per cent. despite the abnormal case in the money market and the extremely high cash and percentage figures, as shown in the statement, caused greater surprise and indignation in the market than the concurrent announcement *that rupees three crorres curency had been deflated against as hoc securities.*

On the following day cables from London reported a drop in the bank of England rate to 6 per cent. and later in the Federal Reserve rate to 5 per cent. On Saturday the market opened with a steadier undertone for the near position and although the rates remained unchanged on the basis of 1s. $5\frac{1}{1}\frac{3}{6}$*d.* for Ready remittance, it is probable that 1/52 higher will be available on Monday.

Bill rates were little changed despite a drop in the London descount rate to $5\frac{3}{4}$ *per cent.* In spite of the rise in the Imperial Bank rate, money continued easy and call money was offered at the close on Saturday at 2 per cent with business actually done at $1\frac{1}{2}$ per cent.

1. Explain the italicized portions.

2. What can be the probable cause of a further contraction of currency during the week.

9.

The position in the Money Market would tend to indicate that the financing of the jute crop this year will have little effect in Calcutta despite its size and crereased value. There were some signs last week of

money being a little more useable, but during the current week, although there has not been quite so much pressure to lend, *borrowers have been less inclined to take anything except deposits which have a chance of being useable towards the end, at least, of their term.* In the Exchange market the drop in London Discount Rates has had the effect of preventing any rise in the rate for Ready remittance, *as Banks have been able to take the increasing supply of bills at a narrower margin than heretofore.* Ready remittance has been quoted at 1/6$\frac{5}{32}$ through out the week, but it has been noticeable that $\frac{3}{32}$ higher has been available off and on, for delivery at the end of this month. Should export business in jute develop, *it is doubtful whether dispite the case of money, Banks will be able to absorb any large volume of bills without recourse to sales to government. The forward position in exchange is an enigma*, and *with exporters disinclined to book for forward deliveries, the reason for the present firmness of forward deliveries, is obscure.* Despite this, *December-January after reacting to* 1/6 $\frac{3}{16}$ *was available at the close of the week at* 1—6$\frac{7}{32}$ and business is even reported to have been done for March as high as.1/6 $\frac{3}{16}$.

1 Rewrite the portions italicized.

2 Make precis of the passage and supply it with a suitable beading.

3 Why is the forward position in exchange an enigma?

APPENDIX A.

HINDUSTANI MARKET TERMS.

Ready or Spot. तैयारी का सौदा تیاری کا سودا

Forward business. वायदे का सौदा या बदनी وایدے کا سودا یا بدنی

Turn over. सौदागरी سوداگري

Jeth future. जेठ का सौदा या जेठ का वायदा
جیٹھ کا وعدہ یا جیٹھ کا سودا

Speculation. बदनी या सट्टा بدنی یا سٹا

Speculator. सटोरिया سٹوریا

Bull. तेजड़या या तेजीवाला تیجڑیا یا تیزی والا

Bear. मदड़या या मन्दी वाला مندڑیا یا مندی والا

Rise and fall. घट-बढ़ या उतार-चढ़ाव گھٹ بڑھ یا اُتار چڑھاؤ

Buying. लिवाली لِوالی

Liquidation. बिकवाली بکوالی

Offtake. उठाव اُٹھاؤ

Settlement. भुगतान بھگتان

To square. बराबर करना برابر کرنا

Bull factor. तेजी की बात تیزی کی بات

Bear factor. मन्दी की बात مندی کی بات

Bull liqudation. तेजड़यों का सौदा कटना
تیجڑیوں کا سودا کٹنا

Staunch Bull. पक्का तेजड़या या सोलह आने तेजड़या
پکا تیجڑیا یا سولہ آنے تیجڑیا

Bear sale. फालतू बेचना या माथे करना
پھالتو بیچنا یا ماتھے کرنا

Bull purchase. पोते करना پوتے کرنا

To purchase a call option. तेजी लगाना تیزی لگانا

To purchase a put option. मन्दी लगाना مندی لگانا

To purchase a double option. तेजी-मन्दी या नजराना लगाना
تیزی مندی یا نزرانہ لگانا

To sell a call option. तेजी खाना تیزی کھانا

To sell a put option. मन्दी खाना مندی کھانا

To sell a double option. तेज़ी-मन्दी या नज़राना खाना
تیزی مندی یا نزرانا کھانا

Protected Bear. तेज़ी पेटे बेचना या ऊपर की गली लगाकर बेचना
تیزی کے پیٹے بیچنا یااوپر کی گلی لگاکر بیچنا

Protected Bull मंदी के पेटे लेना या नीची गली लगाकर लेना
مندی کے پیٹے لینا یا نیچی گلی لگاکر لینا

Gale option. ऊंची तेजो लगाना या नीची मन्दी लगाना
اونچی تیزی لگانا یا نیچی مندی لگانا

Bear squeeze. खिलाया کھلایا

To demand delivery. माल संभालना مال سمبھالنا

To tender delivery. डिलीवरी देना ڈلیوری دینا

Bull support तेज़ड़ियों की लिवाल تیجڑیوں کی لوال

Bear sales. मंदड़ियों की बिकवाल مندڑیوں کی بکوال

Bear covering. मंदड़यों, की लिवाल مندڑیوں کی لوال

Straddling. सट्टे करना سٹے کرنا

Reversing the straddle. सट्टे तोड़ना سٹے توڑنا

Profit-taking. नफा पकाना या खाना نفا پکانا یا کھانا

Option dealers. तेज़ी मंदी खाने वाले تیزی مندی کھانے والے

Switchinig over. सट्टे करना سٹے کرنا

Switchinig off. बराबर करना या सिटल करना
برابر کرنا یا سٹل کرنا

Reaction. रैकशन ریکشن

Market tone. बज़ार की टोन या रङ्ग या रङ्गत या रुख
بازار کی ٹون یا رنگ یا رنگت یا رخ

Easy. मुलायम ملایم

Weak. कमज़ोर کمزور

Steady. मज़बूत مضبوط

Firm. तेज़ या गरम تیز یا گرم
Quiet. पड़ा हुआ پڑا هوا
Statistics. आंकड़े آنکڑے

APPENDIX B.

QUESTIONS SET FOR THE INTERMEDIATE EXAMINATION IN COMMERCE.

(A) U. P. Intermediate Board.

1932

1. Explain the words and phrases italicised in the following :—

(*a*) On a rise in the price of lead to £ 25-10-0 per ton. *Burma Corporation became a strong enquiry*, the price touching Rs. 12-8-0

(*b*) On Tuesday the *market opened firm but developed an easier tendency* later, with the result that some part of the advance has been lost, but prices are still higher on the week by ⅜d. per lb, for *spot and June.*

(*c*) There is still an *under current of enquiry* for *first class stocks*, but little *scrip* is available.

2. Write a report of about two pages of your answer-book on the condition of cotton or wheat trade ol your town, using technical phraseology where possible.

Or

Explain any *five* of the following terms usually met with in market reports and use them appropriately in short sentences :—

Ex. Div ; Option money at call and short natice ; Arbitrage dealings ; Bear ; Gilt-edged securities; Treasury Bills ; and carry over.

1933

1. Explain the words and phrases italicised in the following passage :—

The Hessian market *continued quiet over the opening period of the week* but later *improved considerably* on account of *speculative buying* and a *fair covering business* being done by Shippers for the *near positions. Mills have shown more interest* and sold fairly freely at the better rates obtaining. *Forward demand* has however, been negligible. At the close of the market, the *tone is easier* on account of the publication of the *Preliminary Jute Acreage Forecast* of 19,03,000 acres.

2. Write a short essay on the present economic depression in the country

Or

As an officer in charge of a branch of the Imperial Bank of India, write to the Head Office reporting about the weather condition of your place and its effect on the local money market using the following words and phrases appropriately :—

'Borrowers of call and short notice', 'limited request', 'easier tone', 'Bank Rate', 'first class bills', 'Treasury Bills',

1934

1. Give the substance of the following passage in your own language :—

'When money is really very cheap in the money market the issue of treasury bills to take off the surplus and unlendable funds, which at times have clogged the market during the monsoon months, could be said to fill a gap which has long been an obstruction in the financial machine in India, But the issue of treasury bills at time when the money market is just and only just recovering from a period of severe stringency is a totally different matter and is naturally resented for more reasons than one. For one thing Government at once becomes a competitor of banks for merchants' short-term money'

2. Explain the words and pharses italiczed in the following :—

(a) Among *Engineering descriptions* the main feature was a further weakening in Indian Iron and Steel to

Rs. 16-4 and a sharp decline in Bengal Irons to Rs. 12-8, *the latter in sympathy with a lower London Market.*

(*b*) Jutes have been an *irregular market* and with the public for the most part still *sitting out and looking on,* transactions have been confined largely to *inter-bazar dealings*; towards the close, however, a little more *investment enquiry* has been noticeable and prices all round on Tuesday were appreciably firmer.

(*c*) *The gilt-edge market has been dull with prices falling away.* 3½ per cent. Rupee Paper closed at Rs. 68-8 and the 1939-44 New Loan at 8 annas discount.

Or,

As an *arhti* in Cawnpore, write a report of the commodity market of your place to be circulated to your customer.

1935

1. Explain the italicized words and phrases in the following passages :—

(*a*) Conditions remained *quiet* and *secondhand* quotations *eased* by about one anna a maund. Considerable pessimism has arisen due to Java's reduction in her *selling limits.*

(*b*) The gold market was firm with a fair amount of business transacted for *ready* and *forward* delivery. This was due to lower *New York—London cross rate* and purchases by banks for export.

(*c*) The local market has displayed a better *undertone.* A good *offtake* by Japan is reported and Japanese Shippers have been fairly consistent *buyers of contracts.*

2. As a firm of bullion brokers in Calcutta draw up a weekly silver market report frr the information of your clients.

Or

Rewrite the following market report in plain English:—

'There has been a quieter feeling in the local piece-goods market as the up-country centres have displayed even less interest during the period.

The tendency has been for dealers to revert to their former cautious policy, but this may be due to the fact that makers have not been quiet so willing to concede to their ideas of price in view of the high trend of the cotton market. So far as the local market is concerned there would appear to be no justification for the higher prices which makers have been compelled to quote, but the differences are not wide and it is reasonable to expect that they can be bridged without prolonged negotiations.

1936

1. Explain the italicized words in the following extracts from market reports :—

(*a*) *Industrials* were, in general, rather *irregular*, the recent *rise inducing profit-taking.*

The Imperial Bank were *crossed* at Rs. 1,508 and the Reserve Bank were *marked* at Rs. 126–8.

(*b*) The *sentiment* is *bearish* but the crop movement is not sufficiently heavy to *relieve tightness of contracts.*

(*c*) The market is dull and *easier* owing to lack of demand by *shippers* and *speculative operations* in *Future markets.*

2. You have just completed a tour as a commercial traveller of a cotton mill. Draw up a report, embodying various suggestions regarding qualities and designs, etc. which you have received from the dealers in the course of tour.

Or

Rewrite the following passage in plain, non-technical language :—

The raising of the Bank rate to 6 per cent. for no apparently justifiable cause, and fears that for similar reasons there might at any time be a further rise to 7 per cent, led to the beginning of a mild scramble for money—accentuated by the fact that the Market was only open for occasional days during the holidays—add Call Money rose

to 4-4$\frac{1}{4}$ per cent, with 5 per cent, freely offering for Three Months' Deposits.

Not only this but Exchange Banks began selling sterling somewhat freely to Government at 1/5$\frac{7}{8}$ and appeared to be building up a slightly oversold position thereby. This latter increased, as fears became more acute that Government would raise their buying rate to 1/5$\frac{29}{32}$, and there is no doubt that Banks finally built up an oversold position rather than risk having to sell at the higher rate, when funds were actually required. General steadiness continued and upwards of £2 million was sold to Government.

1937

1. Rewrite the following passages, which have been taken from market reports, in plain, non-technical language :—

(a) 'The jump in cotton prices, following the publication of the U S acreage and crop reports last night, provided a bullish incentive and prices opened firm all round. Lack of support on the higher levels, followed by sales for profit-taking, however, caused a decline ; and prices in most cases closed under their last levels.'

(b) 'Strength in America. Shortage of contracts. Straddle buying. Market bullish. General desire to buy futures. Our opinion is that advance has been too rapid and reaction is due.'

4. Draw up an imaginary weekly report of the Bombay Bullion market. Gold has remained firm during the week but Silver has considerably weakened.

Or.

Write short notes on the following :—

Dollar Sterling Cross-Rate; Overnight accommodation; November-February T. T. ; Wall Street.

1938

1. Rewrite the following passages, which have been taken from market reports, in plain, non-technical language :—

(a) The Sugar and Tea sections have ruled steady with a fair turnover. The market in steels showed a sagging tendency on heavy liquidation. The expected rise in steel issues did not turn out due to profit taking by weak bulls and bear sales.

(b) Miscellaneous : The market remained quiet throughout the day with a generally easier tendency developing in prices. Indian Iron and Steel which opened weak at Rs. 49-12 were subjected to further 'bear' selling which brought the price down at one time to Rs. 48-6- The market however rallied slightly at the close and the shares recovered once more to Rs. 49-12. Burma Corporation reacted in sympathy to Rs. 11-12. Steel Corporation Ord. were steady, being crossed at Rs. 9. Indian Cables showed little change at Rs. 15. Amongst Sugar shares Murry Brewery were firm at Rs. 152.

2- Draw up an imaginary weekly report of the Hapur Wheat market. The market has remained firm with a good turnover.

Or.

Clearly explain the following terms —

Equity Shares ; Speculative counters ; s.o,l.; Ex. div

1939

1. Explain the words and phrases italicized below :—

The money market continued *easy* during the week as there is a plethora of funds awaiting employment. If additional proofs are required then look up the Imperial Bank and the Reserve Bank statements ; *balance held abroad* ; tenders to Government for *Treasury Bills* ; and the average rate of acceptance of Bills. *Maturities* did temporarily disturb the market, but they were soon offset by renewals of a like amount. In other items, there was a very limited *turnover*, Gilt-edged were neglected sterling exchange ruled quietly though sellers of *spot T. T* and gold did good business.

1940.

1. Explain the portions in italics in the following.—

Industry and Trade were at a low ebb in the month under review. The *sagging tendency* continued in the cotton market and the market remained dull and featureless. The textiles and the handloom, however registered a significant rise both in the *turnover and sales.* Other foreign textiles remained *eclipsed* in spite of their falling prices.

The tone of the sugar market improved appreciably due to *bullish activities.* Later on *the buoyancy of the market* was marred by uncertainties regarding the reduction of the import duty. The market *opened firm* but gave way by the close of the month.

1941

1. Explain the italicized portions in the following.—

(*a*) The bearish market is no indication of a *real trade slump.*

(*b*) *Freezing credit* and *quota agreements* are responsible for the shrinkage in International Trade.

(*c*) It is the duty of the State to check falling prices and to limit *profiteering.*

(*d*) *Controlled Currency* decrease *the Velocity of Circulation* of money.

1942

Explain the italicized portionse in the following passage taken from market reports :—

(*a*) *Pucca bales have reached about Re. 2–8–0 from the top under selling pressure* with no demand in evidence to *arrest the decline.*

(*b*) Rates are quoting a few annas higher for *all positions.*

(c) There was a sudden rush to buy and ***nervous shorts were compelled to cover.***

(d) ***The market closed on an easier tone with buyers looking on.***

(e) ***The sellers were somewhat reserved at the close.***

1943

Explain the italicied portions in the following passage taken from the market reports :—

(a) Some outside buying orders were received and ***the market brightened a little but closed flat.***

(b) ***The market continues quiet*** with sellers pressing for business for ***forward shipment.***

(c) The local market has displayed a better ***undertone*** A good ***offtake*** by Japan is reported and Japanese have been fairly consistent ***buyers of contracts.***

Or

Write a weekly report of the wheat market of Hapur to be circularised among the customers of an ***arhtiya.***

(B) Rajputana lutermediate Board.

1931

1. Explain in your own words the italicised phrases in the following passage :—

During the past week ***the market has been steadier than recently***, but at the same time there have been very few indications of ***demand broadening*** and most spinners and manufacturers have had to be content with ***orders of retail dimensions.*** The continued ***absence of activity*** is causing a good deal of concern, as undoubtedly at the moment there is a tendency for producers to lose ground with fears of further curtailment of production in the near future if a revival of buying does not take place. ***Financial stringency continues to have a harassing effect upon trade*** generally and the ***tightness of the money*** in most quarters remains acute.

Or

Explain *any five* of the following terms usually met with in market reports and use them appropriately in short sentences :—

Bear : Forward business ; Tight money ; F. O. R- ; Quieter tone ; Rupee securities ; Replacement business ; x. d.

1932

1. Explain in your own words the italicised words and phrases in the following sentences :

(*a*) ***Electric supply issues have been fairly active***; Rawalpindi, Dacca, and Patna being perhaps the most ***live counters.***

(*b*) At the commencement of the week there was ***a general bear raid on Government securties*** in Bombay, as a result of the very disappointing cash subscriptions to the New Loan, and under heavy selling pressure all ***issues declined.***

(*c*) On the whole, ***the prevailing market sentiments last week was bearish***, and ***there has been little encouragement to bull operators***, ***public interest*** being conspicuous by its absence.

Or.

Explain *any five* of the following terms usually met with in market reports and use them appropriately in short sentences :—

Carry over ; Bull ; Call option ; Money at call and short notice ; Treasury Bills ; Gilt-edged securities Cum div. ; and Arbitrage dealings.

1933

1. Explain, in your own language, the italicised words and phrases, and give the substance of *any* of the two following passages :

(*a*) ***Fairly easy conditions*** ruled locally during the early part of last week, but money ***firmed up*** and was ***in good demand*** later, and, with little money available, there are ***good borrowers of call and short notice*** at 5¼ per cent. The ***Bank Rate of discount*** for ***first class bills*** remains at 7 per cent.

Or.

(*b*) A notable feature of the week in the gold market was the ***unloading*** by the ***bull operators*** of their holding for ***May settlement*** which resulted in the ***premium of one anna per tola for this delivery over June being reversed to one anna per tola discount.***

1934

1. Write a brief weekly report of the wheat market of your town to be circulated to your customers.

2. Explain, in your own language, the italicised words and phrases in the following passages :—

(*a*) '***Practically no bills showing; no demand for remittance; altogether, no business***' this would be a correct description of the current week's market in exchange. As for the momentary world, ***steady conditions prevailed all through the week***, except towards the finish when ***a shade easier feeling*** was manifest.

(*b*) ***There was the usual end-of-year stringency*** and on December 28 and 29, the rate for ***call money*** rose to 6 per cent. ***with borrowers over.***

3. Explain the following technical terms in simple language, and use them in short appropriate sentences :—

'ex div.' ; 'speculative counters' ; 'bank draft' ; 'telegraphic transfers' ; 'conversion loan'.

1935

1. Draw up a market report relating to any commodity, using imaginary facts and figures. You are to import an upward tendency in prices, and explain the main causes responsible for it.

2. Explain the words and phrases underlined in the following passages :—

(*a*) This week has seen *a welcome change in the position*, and helped partly by extremely easy money conditions and to a greater extent by the *cessation of bear operations* from Bombay, Government securities *have recovered to a marked extent*

(*b*) On a *'bottomless' marked* foreign consumers naturally, though not wisely, held aloof and pursued their usual policy of *waiting for the bottom*, instead of *buying down the market*.

3, Explain the following technical terms in simple language, and use them in short appropriate sentences:—

Call money ; Bear covering ; Bulls ; Carry-over.

1936

1. Explain words within inverted commas : The ubiquitous 'bear' had been in evidence a good deal. And, just at the right moment, external happenings became very gloomy. For example, war clouds usually depress 'gilt-edged', but they are really a 'bullish factor for shares.'

The year opened well for dealers in gilt edged securities with 'the barometer set fair', but later on the bull operators got unnerved and there was a 'hectic scramble' to sell, with the result that the rate gradually declined.

2. Rewrite the following in simple English :—

The weakness of wheat had a depressing influence on cotton with the result that prices eased off considerably on foreign selling and commission house liquidation. The inherent bearishness of the market was to some extent of set by the scarcity of contracts produced by Government holding. Weather conditions showed definite signs of improvement deterring bullish activity, The market fluctuated irregularly under alternate bouts of buying and selling.

3. Explain the portions in italics in the following :—

The cotton market was quiet and featureless especially with regard to the announcement of the new *crop loan.* The market was steady with very little *speculative activity* and prices moved in a very narrow range. Some local buying forced up the price but, thereafter, the price again fell on *liquidation and outside selling*, but the *undertone* ruled fairly steady. Later on, the slump increased on account of the rumour of *sealing* twenty-per cent of looms.

1937

1. Rewrite the following in plain language :—

The issue of fresh treasury bills would of course arrest the otherwise natural fall in money rates, and it may be that the issue of treasury bills may be found necessary in order to bolster exchange rates, which show signs of falling to an embarrassingly low level. There are at the moment abnormal causes which show signs of exerting a down drag on exchange rates—apart from the exceptional slackness of the export trade of India and the usual seasonal weakening in exchange during the monsoon months.

2. Explain the portions in italics in the following passages :—

(*a*) In the week before it *was coals which were in the ascendant* and last week it was jutes ; confidence seems to have returned and *the market has gone from strength, to strength*, though on Thursday last and again on Friday *a certain amount of profit taking was in evidence.*

(*b*) Markets were all very *quiet* on Saturday and *the tone was irregular.* In the absence of fresh business, dealers directed their attention to the preliminaries of *the carry-over*, which begins to-day in all sections. *Consols succeeded in recovering part of the previous day's fall*, while in the Home Railway Market prices had *a sagging tendency.*

3. Write a short market report relating either to cotton piece-goods or to sugar.

1938

1. Rewrite the following passage in plain language:—

(a) The miscellaneous section has suffered most and particularly our old favourites. Tata Iron and Steel issues, the sport of the bears in times of adversity and the leader of any upward movement when the financial and labour barometers are set fair.

(b) Heavy goods—the lame duck of the market—showed continued weakness throughout the session. Even at the lowest levels there is practically no inquiry from consumers, and the market seems to be bottomless, and the further the rates sag the more acute becomes the anxiety of the possibility of speculative failures.

2. Explain the portions in italics in ***any two*** of the following passages :—

(a) Condition remained ***quiet*** and ***secondhand quotation eased*** by about one anna a maund. Considerable pessimism has arisen due to Java's reduction in her ***selling limits.***

(b) The local market has displayed a better ***undertone.*** A good ***offtake*** by Japan is reported and Japanese shippers have been fairly consistent ***buyers of contracts.***

(c) ***There was the usual end-of-year stringency*** and on December 28 and 29, the rate for ***call money*** rose to 6 per cent ***with borrowers over.***

3. Explain ***any four*** of the following terms usually met with in market reports and use them appropriately in short sentences.

Ex. Div. ; Option money ; Bear : Arbitrage dealings; Gilt edged securities ; Treasury Bills ; and carry over ; Bull Factor : Bearish Tendency.

4. Draw up a short market report relating to any commodity, using imaginary facts aud figures. You are to report an upward tendency in prices, and explain the main causes responsible for it.

1939

1. Write a note on : 'The effect of a bad monsoon on the piece-goods trade in India.'

2. Explain *any four* of the following terms usually met with in market reports, and use them appropriately in short sentences:—

Treasury Bills ; Option Money : Conversion loan ; Undertone ; Call money ; Sagging tendency ; Arbitrage dealings : Speculative counters.

3. Explain *any four* of the following:—

(*a*) Bull were disappointed and they liquidated their holdings in spite of unfavourable weather and other bullish factors (Cotton).

(*b*) 'Practically no bills showing ; no demand for remittance ; altogether no business ; this would be a correct description of the current week's market in exchange.

(*c*) The obvious steadiness in this share seems to be due to an uncovered bear account.

(*d*) The present shake-out of weak accounts will give the newcomer an excellent opportunity of buying cheap shares.

(*e*) During the week the dollar-sterling cross-rate improved from 4.84 to 4.85 and London discounts from 5½ per cent to 5·5/16.

(*f*) The tightness in the money-market is not due to any shrinkage in the volume of money but to the lower velocity of its circulation.

1940

I. Draw up a market report relating to wheat or cotton using imaginary facts and figures.

(2) Explain *any four* of the following terms in simple language, and use them in short appropriate sentences:—

Blank sale : Bear squeeze ; Bull Liquidation ;s. o. l.; Hedge contracts ; Straddle ; Najrana.

(3) Explain in your own words, *any two* of the following extracts from market reports:—

(*a*) On the other hand there is no tendency to press sales, holders being content to sit out and await events in view of the sound statistical position. (Tea.)

(*b*) Home railways appear idle and uninteresting with a saging tendency. Two or there jobbers have, we learn,

recently deserted this market, being lured away by the superior attraction of South African mining companies.

(c) On Tuesday the market opened firm but developed an easier tendency later, with the result that some part of the advance has been lost, but prices are still higher on the week by $\frac{3}{8}d.$ per lb. for spot and April/June.

(d) Although in most instances the quoted cost of replacement gives local values a very satisfactory appearance. they are barely maintained and have a tendency to weaken at the first sign of selling pressure.

1941

1. Explain *any five* of the following technical terms in simple language, and use them in short sentences :—

Speculative counter ; Conversion loan , Short shipment ; Carry-over ; Bearish tendency ; S. O. L. : x. d. price.

2. Explain the words and phrases italicised in the following passages :—

(a) It is tempting just now to say that the *Budget shadow is stealing across the stock markets.* So it is, but it is no use pretending that this is the only or the chief reason why *markets are quiet.* Everybody now realises that the war has entered a grimmer phase both in the military and the economic sense, and in the new atmosphere even the more *bold investors and speculators* must be expected to *tread warily.* In am not suggesting that markets are facing the prospect of any substantial volume of selling–I tried to explain last week why that is unlikely but the *odds are certainly in favour of* a quiet period in which prices may drift down to rather lower levels.

(b) During the week ending 24th August, 1940, Electrics have been fairly active, *Rawalpindi: Dacca,* and *Patna* being perhaps the most *live counters.*

3. Write a short market report dealing with any commodity.

1942.

1. Re-write in plain language, but in as few words

as possible, any three of the following passages lifted from Weekly Market Reports : (Please quote the number of the passages against their respective answers).

(*a*) Another week of significant recovery. The Calcutta Stock Exchange experienced, generally speaking active trading conditions throughout the week under review with prices tending to move up. There have been set-backs, it is true, but as pointed out a week ago, these are to be welcomed as providing a breathing spell in which the position can be consolidated.

(*b*) The news of the declaration of war by Germany against Russia brought all ronnd rise in prices. The sharp improvement in prices, which was noticeable on Monday was, however, short-lived, and prices have closed today a shade easier. In view of the easier tendency in prices, the trend in the near future will have to be watched very closely. If the market hold steady at around present levels then the outlook should be quite promising. Just now it looks as if the market has taken a decision to wait and see.

(*c*) The Bombay Gold Market has been rather uninteresting during the past few days. The slight improvement in the quotations last week was due to the reports regarding the possibility of a reduction in war insurance rates. These have not materialised and quotations have thus receded to the former levels.

(*d*) The Silver market is overpowered by a stagnation worse than any decline in prices. The unusual stability of prices shows that speculative interest has waned rapidly again. War news has not kindled bullish enthusiasm in the silver market.

(*e*) The Bombay raw cotton market has been active on short covering and buying by commission houses. It is believed that increased mill consumption will not leave any surplus of the basic staple varieties. But for the continued uncertainty regarding the future course and quantity of exports to Japan the recovery in raw cotton values should be sustained.

(*f*) The hessian market has had its brief hectic spell before the week-end. The tendency this week is evidently reactionary, for an adverse trend in cotton too is established and the bullish weather has broken.

(*g*) Short credits have been in abundant supply with hardly any demand; even towards the finish of 1940, the customary demand connected with banks window-dressing for the annual accounts did not materialise.

(*h*) The local share market opened steadier after the holidays. The holiday feeling which continued to persist, had a restraining influence. Operators were unwilling to enter into fresh commitments with the result that prices showed little or no change during the week under report.

2. Explain any five of the following technical terms in simple language, and use them in short sentences:—

Unfunded Debt; Bear raid; B.C. Rate; Budlee; Hedging- Arbitrage; Short shipment; Bucket shop-keeper; Wash sale; Short sale; Long liquidation.

3. Write a short market report, covering about two pages of your answer book, relating to any commodity. You are to report an upward tendency in prices, and explain the main causes responsible for it.

1943

1. Re-write in plain language. but in as few words as possible, any three of the following passages. (Please quote the number of the passages against their respective answers).

(*a*) Money; Easy, call-rate declining to $\frac{1}{2}\%$. Further decline in Treasury Bill rate, Securities quiet but steady. Shares, after earlier steadiness, reacted on profit-taking. Sterling exchange quiet. Sterling strong.

(*b*). Jute; Loose jute quiet, sellers being eager for business. Pucca bales also quiet with little business passing. Hessians dull at lower rates. Heavy goods quiet with little or no business.

(*c*), The Bombay silver market has not been quiet

steady. In mid-week a slightly easier feeling was noticeable in sympathy with the weakness of the cotton market. Quotations are a shade better towards the close.

(*d*) The reserved attitude of sellers and the reports regarding the attacks of locusts in Sind have resulted in a substantial improvement in values. The relapse in the cotton market has not had any effect on wheat value. Prices would perhaps have been marked higher but for the continued absence of buying from Burma.

(*e*) In sympathy with the gold market silver prices moved higher in spite of the selling from special source. Indian mint silver ready were quoting higher at Rs. 67-13-0. But heavy sellings at the higher levels has brought about a substantial reaction in values.

(*f*) The volume of turnover in the piece goods market has been disappointingly small. Forward business has been on a restricted scale and dealers are not inclined to commit themselves. Owing to the absence of competition mills are not keen to do new business. Replacement costs are very high and deliveries are as far ahead as June, 1943. Business passing has been in ready goods.

(*g*) The gold market has been quiet and idle and quotations have been fluctuating in narrow limits. Owing to the availabiliy of freight, arbitrageurs have been buying ready gold and hence the premium for ready position over quotations for first and second settlement.

(*h*) The hessian market has had its brief hectic spell before the week-end. The tendency this week is evidently reactionary, for an adverse trend in cotton too is established and the bullish weather broken.

(*i*) Bulls have been caught happing. Equities are now going down not because of pernicious activities of bears. There is no bear raid, for short-selling is not allowed, Prices are going down because of heavy and consistent bull liquidation. That liquidation is not yet over. And so, the market may go down further in the event of untoward war developments.

2. Explain any five of the following :—

Short shipment, Mandi option, Straddling : Ex-all ; Equities ; Scrip ; Open market operations, Upset price ; Rigging the market ; Jobbers turn.

3. Write a weekly report of Hapur Wheat Market incorporating the following terms :—

Rates easier, tone bearish, crop conditions very favourable, new crop movement, small-scale arrivals from up-country, small mills buying, flour market very quiet, speculative transactions, regulation of prices, foreign reports, uudertone steady, strong advices.

1944

1. Rewrite in plain language, but as briefly as you can, any three of the following passages, choosing one from each part :—

Part I.

(*a*) The gold section of the Bombay Bullion market passed through a near crisis during the week under review continuous good war news, the determination of the government to go on with anti-inflationary measures, coupled with the Finance Member's warning to speculators in bullion had already innerved weak holders. Reports of sales of good by the authorities supplied the last push on the inclined plan of prices.

(*b*) Though to some extent the decline in bullion prices depressed share markets, later on the markets improved and definitely steadier conditions were noticeable in all the markets with firm tone. There is great strength in Textiles and one should not expect any material fall in this group under present circumstances.

Part II.

(*c*) The stock exchange held steady in very idle trading to-day with few bright features here and there, including Colvilles among Iron and Steels up 1s. 6d. at 20 shillings. Gilt-edgeds and Industrials occasionally tended a shade harder. Internationals and also San Pauls Coffee attracted slight profit-taking.

(*d*) On the stock Exchange there was a very quiet session when business was resumed after the holiday with valnes geuerally maintained. Gilt-edged were firmly held. Home Rails were a shade lower and oils were idle. There was some bidding in ultramar-oils, while industrials were firmly held apart from cements being lightly offered. Operators are generally awaiting the Indian decision and the Budget.

Part III.

(*e*) Throughout the week under review, holiday feeling prevailed in the local sugar market. Though pressure of distressed sales was not so aggressive as before, merchants looked with suspicion all movements for raising the price level. Demand was poor. Table seems to have lost confidence in the commodity, and, consequently, own business was absent.

(*f*) During the week under review, the wheat markets have been nervously sensitive, responsing to all sorts of wild rumours. There was a loss of an anna per maund over the prices ruling last week. Such was due to favourable American crop reports, pressure of weak Indian and Argentine offers and a general lackening in trade.

(*g*) Loose Jute quiet, sellers being eager for business: Pucca bales also quiet, with little business passing. Hessians dull at lower rates. Heavy goods quiet with little or no business.

2. Explain any ***four*** of the following terms, and construct short sentences to illustrate their appropriate use.

(*i*) Bear squeeze ; (*ii*) Ad hoc securities ; (*iii*) Short selling ; (*iv*) Bond-washing ; (*v*) Contango ; (*vi*) B. C. Rate ; (*vii*) Buying in ; (*viii*) 'The lame duck' ; (*ix*) Spot rate ; (*x*) Hammering.

1945.

1 Rewrite briefly in plain language any three of the following passages:—

(*a*) Sentiment in the local cotton market has become

greatly bearish during the week under report. Support from bull operators has been totally withdrawn and prices have begun to record new low levels each day. To all intents and purposes, an utter demoralization has come to prevail in the market.

(b) Plethoric money conditions continued to prevail in the local money market during the week under review The demand for money being far short of supply, there was no change in money rates.

(c) Fluctuations on the Bombay Bullion Exchange have become limited to some extent. Reports of good war news which have now become a regular feature, and especially the progress which the Allies have now been making in Normandy, have been interpretted as bearish news, and, despite the efforts of some disgruntled bulls to rig up the market prices of bullion could not move up during the week under report.

(*d*) The general tendency of the Calcutta linseed market has remained unchaged throughout, with a firm undertone still in evidence. Up-country centres have likewise shown no notable change and despatches appear to have been somewhat more frequent against lots provided with transport priorities.

(*e*) Rather quietly steady conditions have been noticeable in all the Stock Exchanges in this country generally during the week under report. Even on the Calcutta share market, which continued to be firm at the beginning of the week, prices began to give way towards the close, on heavy profit-taking. Investors in the Bombay market are still hesitant, and show a tendency to avoid commitments.

2. Write a short market report dealing with any commodity.

1946

1. Draft a weekly cotton market report.

2. Explain the phrases italicized in the following passage:—

Several factors made for a firm tone on the Stock Exchange yesterday, among them being the recovery in New York and the commenc ment of a new Account of normal duration. British Funds, while a quiet market, experienced a general rise, oversold positions assisting the movement, while Home Railways stocks were also generally firmer, the strength of Great Westerns being the feature. In the Industrial market dollar shares opened with sharp rises which were either maintained or increased in the course of the day, while other shares under the American influences, notably General Electric, opened and closed with sharp rises. Tobacco, textile, and margarine shares were firmer, and a general recovery took place in Oils in sympathy with Wall Street.

3. Explain any *four* of the following terms usually met with it market reports, and use them appropriately in short sentences:—

(*a*) Ex. div.; (*b*) Ceiling Price; (*c*) Short Selling; (*d*) Equity Shares; (*e*) Cornering; (*f*) Bear-squeeze; (*g*) Straddle.

THE END

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